

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of East Jordan	County Charlevoix
Fiscal Year End June 30, 2006	Opinion Date December 22, 2006	Date Audit Report Submitted to State December 28, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

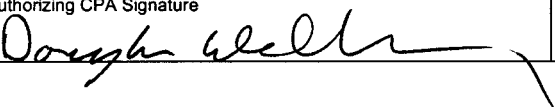
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Douglas Wohlberg CPA		Telephone Number (616) 583-0094	
Street Address PO Box 1013		City Byron Cener	State MI
Zip 49315			
Authorizing CPA Signature 	Printed Name Douglas Wohlberg	License Number 18239	

City of East Jordan

Charlevoix County, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year Ended June 30, 2006

City of East Jordan

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INDEPENDENT AUDITORS' REPORT

To the City Commission
City of East Jordan
Charlevoix County, Michigan

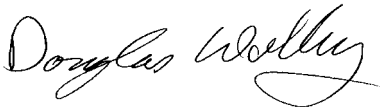
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Jordan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of East Jordan management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of East Jordan as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of East Jordan basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Douglas Wohlberg, CPA
Byron Center, Michigan
December 22, 2006

Management Discussion and Analysis

City of East Jordan, Michigan

Management's Discussion and Analysis

For the year ended June 30, 2006

This discussion and analysis is intended to be an easily readable analysis of the City of East Jordan's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

This report consist of the Management's Discussion and Analysis (MD&A), government-wide statements, fund financial statements, notes to the financial statements, combining schedules of nonmajor funds and supplementary information. The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, fire, public works, parks and recreation, community development and general government administration. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

Basic Financial Statements

- The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities report capital assets and long-term liabilities. Governmental activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses gross and net costs of city programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Other Governmental Funds." A budgetary comparison is presented for the general fund which is the only fund for which a budget is legally adopted. Statements for the City's proprietary funds follow the governmental funds and include net assets, revenue, expenses and changes in net assets, and cash flow.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

Readers desiring additional information on nonmajor funds can find it in the Combining Statements of Nonmajor Funds section of this report. Completing the financial section of the report are schedules on capital assets and other financial schedules. Finally, is the statistical section, which presents trend information and demographics.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years. To be an accurate presentation, the prior year would have to be restated to the new reporting format. The City has chosen to not restate the prior year. Nevertheless when possible, significant changes from the prior year are explained in the following paragraphs.

City of East Jordan, Michigan

Management's Discussion and Analysis

For the year ended June 30, 2006

City as a Whole

Government-wide Financial Statements

A condensed version of the Statement of Net Assets at June 30, 2006 follows:

	Governmental Activities		Business-type activities		Total	
	2006	2005	2006	2005	2005	2005
Current assets	\$ 512,315	\$ 394,354	\$ 1,534,235	\$ 1,367,189	\$ 2,046,550	\$ 1,761,543
Capital assets	4,478,518	4,496,590	5,691,021	5,580,786	10,169,539	10,077,376
Total assets	4,990,833	4,890,944	7,225,256	6,947,975	12,216,089	11,838,919
Long-term liabilities	894,287	721,773	58,150	2,068,537	952,437	2,790,310
Other liabilities	28,396	76,678	2,184,606	81,550	2,213,002	158,228
Total liabilities	922,683	798,451	2,242,756	2,150,087	3,165,439	2,948,538
Net assets						
Invested in capital assets - net of debt	3,679,675	3,819,481	3,506,416	3,512,249	7,186,091	7,331,730
Restricted	121,050	95,333	-	-	121,050	95,333
Unrestricted	267,425	177,679	1,476,084	1,285,639	1,743,509	1,463,318
Total net assets	\$ 4,068,150	\$ 4,092,493	\$ 4,982,500	\$ 4,797,888	\$ 9,050,650	\$ 8,890,381

City of East Jordan, Michigan

Management's Discussion and Analysis

For the year ended June 30, 2006

Business-type Activities. The City's business-type activities consist of the Sewer, Water, Ambulance, Harbor Marina Solid Waste Transfer Station and Tourist Park funds.

Water and Sewer Fund

Operation of the water and sewer systems is paid through user fees based upon amount of metered water used. A comparison of revenues and expenditures is evaluated every year to determine whether rates are providing the necessary revenue to meet expenses of the system. The last rate increase went into effect for the quarter beginning July 1, 2005.

Tourist Park

Operation of the Tourist Park is paid through user fees based upon camper rent. A comparison of revenues and expenditures is evaluated every year to determine whether rates are providing the necessary revenue to meet expenses of the park. The last rate increase went into effect for the season beginning April 15, 2006.

Harbor Fund

Operation of the harbor fund is paid through user fees based upon seasonal and transient dock rents. The rates are set through Michigan Department of Natural Resources Parks and Recreation Bureau (Michigan State Waterways Commission). The last rate increase went into effect for the season beginning April 15, 2005.

Ambulance Fund

Operation of the ambulance fund is paid through user fees based upon basic and advance life support. A comparison of revenues and expenditures is evaluated every year to determine whether rates are providing the necessary revenue to meet expenses of the ambulance fund. The last rate increase was July 1, 2005.

Transfer Station Fund

Operation of the transfer station fund is paid through user fees based upon the disposal of garbage. A comparison of revenues and expenditures is evaluated every year to determine whether rates are providing the necessary revenue to meet expenses of the transfer station fund. The last rate increase was July 1, 2003.

City of East Jordan, Michigan

Management's Discussion and Analysis

For the year ended June 30, 2006

A condensed version of the Statement Activities follows:

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	2006	2005	2006	2005	2006	2005
<u>Program revenues</u>						
Charges for services	\$ 63,614	\$ 62,950	\$ 1,542,162	\$ 1,452,467	\$ 1,605,776	\$ 1,515,417
Operating grants and contributions	249,348	221,237	34,918	9,086	284,266	230,323
<u>General revenue</u>						
Property tax	1,087,235	1,049,138	-	-	1,087,235	1,049,138
State shared revenue	276,872	279,168	-	-	276,872	279,168
Unrestricted investment income	25,406	9,626	29,845	14,084	55,251	23,710
Licenses and permits	5,135	4,140	-	-	5,135	4,140
Rent	5,212	2,375	-	-	5,212	2,375
Fines and forfeitures	500	590	-	-	500	590
Miscellaneous	240,605	39,463	4,139	13,727	244,744	53,190
Total revenues	1,953,927	1,668,687	1,611,064	1,489,364	3,564,991	3,158,051
<u>Program expenses</u>						
General government	557,490	546,702	-	-	557,490	546,702
Public safety	597,569	546,274	-	-	597,569	546,274
Public works	533,170	521,878	-	-	533,170	521,878
Community and economic development	5,172	10,855	-	-	5,172	10,855
Recreation and culture	347,452	174,712	-	-	347,452	174,712
Sewer Fund	-	-	280,453	286,785	280,453	286,785
Water Fund	-	-	326,291	278,343	326,291	278,343
Solid Waste Transfer Station	-	-	41,014	35,564	41,014	35,564
Ambulance	-	-	361,471	303,320	361,471	303,320
Tourist Park	-	-	98,868	97,433	98,868	97,433
Marina	-	-	246,024	159,985	246,024	159,985
Interest on long-term debt	26,388	31,841	-	-	26,388	31,841
Total expenses	2,067,241	1,832,262	1,354,121	1,161,430	3,421,362	2,993,692
Change in net assets before transfers	(113,314)	(163,575)	256,943	327,934	143,629	164,359
Transfers	88,971	78,115	(72,331)	(55,828)	16,640	22,287
Increase in net assets	\$ (24,343)	\$ (85,460)	\$ 184,612	\$ 272,106	\$ 160,269	\$ 186,646

City of East Jordan, Michigan

Management's Discussion and Analysis

For the year ended June 30, 2006

Governmental activities.

Governmental activities' program expenses remained similar to prior year. There were some significant variations in some revenue items. The current budget instability at both the Federal and State levels do not allow the City financial position to improve greatly from one fiscal year to the next. I believe that the City's financial position has improved only slightly over the last fiscal year. The City of East Jordan's financial position improved because of increase property values and new or rehabilitated properties being added to the tax rolls. The City's largest employer has maintained production levels over the past year. These factors have lead to the financial condition remaining the same or increasing slightly. The only significant increase to our tax base was the addition of the new addition to a major employer. The ending General Fund fund balance would have been higher if not for decreasing State revenue. There should be no significant change in the financial position if all funding levels remain at current levels.

Business-type activities

The City's business type activities continue to improve. Improvements to business-type infrastructure include replacing water mains, repairing and updating meters, leak repair on water mains, improving our pump to bill ratio, repairing and upgrading the sewer collection system each fiscal year as funding allows. This year's major work included watermain replacement to improve the reliability of the water system. At the sewer lagoons a deep mixing system for better aeration was refined. Infrastructure upgrades at the Tourist Park extended the useful life of the park infrastructure. As in prior years both the EMS Fund and the Marina Fund spent funds to upgrade the physical plant and equipment. This fiscal year both funds curtailed capital spending to increase net assets.

Budgetary Highlights

Over the course of the year the City Commission amended the budget one time. The amendments were for grants received and bonds sold that were not budgeted for and new line items that were put in the budget after it was adopted. The City Commission also requested that the budget be amended to allow the Commission to waive the fee for the Civic Center and Elm Pointe Departments of General Fund. In total, the General Fund's expenditures were \$282,326 less than was budgeted.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets as of June 30, 2006, amounted to \$10,169,541 (net of accumulated depreciation). This investment, detailed in the following table, is invested in broad range of capital assets including land, buildings, land improvements, machinery and equipment, streets and business-type infrastructure.

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	2006	2005	2006	2005	2006	2005
Land	\$ 91,450	\$ 91,450	\$ 355,002	\$ 65,717	\$ 446,452	\$ 157,167
Buildings	577,044	604,239	45,568	50,121	622,612	654,360
Land improvements	92,805	103,579	864,554	896,113	957,359	999,692
Machinery and equipment	1,444,529	1,249,808	70,345	79,879	1,514,874	1,329,687
Sewer lagoons	-	-	1,532,961	1,573,801	1,532,961	1,573,801
Mains	-	-	2,822,591	2,915,155	2,822,591	2,915,155
Infrastructure	2,272,692	2,447,514	-	-	2,272,692	2,447,514
Total net assets	\$ 4,478,520	\$ 4,496,590	\$ 5,691,021	\$ 5,580,786	\$10,169,541	\$10,077,376

City of East Jordan, Michigan

Management's Discussion and Analysis

For the year ended June 30, 2006

Debt Outstanding

The significant long-term debt has been incurred in the DDA for the Main Street Center. The DDA sold bonds to fund the public improvements. The tax increment from the Main Street Center will service the debt. The bonds were purchased by Charlevoix State Bank, the majority owner of the Main Street Center.

	Governmental Activities		Business-type activities		Total		Component Unit	
	2006	2005	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 505,000	\$ 550,000	\$ 320,000	\$ 320,000	\$ 825,000	\$ 870,000	\$1,435,000	\$,550,000
Revenue bonds	-	-	1,591,218	1,754,218	1,591,218	1,754,218	-	-
Installment purchase agreements	293,849	128,980	273,388	64,319	567,237	193,299	-	13,770
Total net assets	\$ 798,849	\$ 678,980	\$2,184,606	\$2,138,537	\$2,983,455	\$2,817,517	\$1,435,000	\$,563,770

The City's is not rated by Moody's and Standard and Poor's since our borrowing is not at their rating threshold. More detailed information on the City's long-term liabilities is presented in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The State of Michigan is projecting significant budget deficits

To deal with swings in the economy and to plan for future capital expansion, the City routinely puts aside resources. The City has also attempted to keep expenditures to a minimum because of the anticipated revenue problems.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City Administrator at 201 Main Street, PO Box 499, East Jordan, Michigan 49727.

GOVERNMENT WIDE FINANCIAL STATEMENTS

City of East Jordan

Charlevoix County, Michigan

Statement of Net Assets

For the year ended June 30, 2006

	Governmental activities	Business type activities	Total	Component units
<u>GOVERNMENTAL ASSETS</u>				
Cash and cash equivalents	\$ 353,367	\$ 1,138,794	\$ 1,492,161	\$ 13,450
Receivables (net)	16,521	403,151	419,672	-
Inventories	4,130	10,394	14,524	-
Due from other governmental units	121,352	-	121,352	-
Interfund balances	16,945	(18,104)	(1,159)	1,159
Capital assets - net	4,478,518	5,691,021	10,169,539	-
TOTAL ASSETS	\$ 4,990,833	\$ 7,225,256	\$ 12,216,089	\$ 14,609
<u>GOVERNMENTAL LIABILITIES</u>				
Accounts payable	\$ 13,512	\$ 487	\$ 13,999	\$ 1,061
Accrued and other liabilities	12,134	14,424	26,558	-
Deferred revenue	2,750	43,239	45,989	-
Due within one year	120,313	171,871	292,184	128,770
Due in more than one year	773,974	2,012,735	2,786,709	1,306,230
TOTAL LIABILITIES	922,683	2,242,756	3,165,439	1,436,061
<u>GOVERNMENTAL NET ASSETS</u>				
Restricted for				
Streets and highways	72,866	-	72,866	-
Debt service	296	-	296	13,450
Capital projects	47,888	-	47,888	-
Invested in capital assets net of related debt	3,679,675	3,506,416	7,186,091	-
Unrestricted	267,425	1,476,084	1,743,509	(1,434,902)
TOTAL NET ASSETS	4,068,150	4,982,500	9,050,650	(1,421,452)
TOTAL LIABILITIES AND NET ASSETS	\$ 4,990,833	\$ 7,225,256	\$ 12,216,089	\$ 14,609

See accompanying notes to basic financial statements.

City of East Jordan

Charlevoix County, Michigan

Statement of Activities

For the year ended June 30, 2006

Functions/Programs	Expenses	Charges for services	Operating grants and contributions
<u>FUNCTIONS/PROGRAMS</u>			
General government	\$ 557,490	\$ 60,761	\$ -
Public safety	597,569	2,356	-
Public works	533,170	-	246,248
Community and economic development	5,172	-	-
Recreation and culture	347,452	497	3,100
Interest on long-term debt	26,388	-	-
Total Governmental activities	2,067,241	63,614	249,348
<u>BUSINESS TYPE EXPENSES</u>			
Sewer	280,453	339,614	-
Water	326,291	530,913	9,075
Transfer Station	41,014	48,523	-
Ambulance	361,471	373,889	-
Tourist Park	98,868	104,531	-
Marina	246,024	144,692	25,843
Total Business type activities	1,354,121	1,542,162	34,918
Total Primary government	3,421,362	1,605,776	284,266
<u>COMPONENT UNIT EXPENSES</u>			
City of East Jordan Downtown Development Authority	\$ 176,058	\$ -	\$ -

General Revenues

Property taxes

State-shared revenue

Unrestricted investment income

Licenses and permits

Rent

Fines and forfeitures

Gain (loss) on sale of capital assets

Miscellaneous

Interfund transfers

Total general revenues - special items and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

See accompanying notes to basic financial statements.

Governmental activities		Business-type activities	Total	Component units
\$	(496,729)	\$	(496,729)	
	(595,213)		(595,213)	
	(286,922)		(286,922)	
	(5,172)		(5,172)	
	(343,855)		(343,855)	
	(26,388)		(26,388)	
	(1,754,279)		(1,754,279)	
		59,161	59,161	
		213,697	213,697	
		7,509	7,509	
		12,418	12,418	
		5,663	5,663	
		(75,489)	(75,489)	
		222,959	222,959	
	(1,754,279)	222,959	(1,531,320)	
				\$ (176,058)
1,087,235	-	1,087,235	244,093	
276,872	-	276,872	-	
25,406	29,845	55,251	3,255	
5,135	-	5,135	-	
5,212	-	5,212	-	
500	-	500	-	
(1,802)	(7,733)	(9,535)		
242,407	11,872	254,279	2,500	
88,971	(72,331)	16,640	(8,800)	
1,729,936	(38,347)	1,691,589	241,048	
(24,343)	184,612	160,269	64,990	
4,092,493	4,797,888	8,890,381	(1,486,442)	
\$ 4,068,150	\$ 4,982,500	\$ 9,050,650	\$ (1,421,452)	

See accompanying notes to basic financial statements.

City of East Jordan

Charlevoix County, Michigan

Governmental Funds

Balance Sheet

June 30, 2006

	General Fund	Major Streets	Nonmajor Funds	Total
ASSETS				
Cash	\$ 131,059	\$ 91,365	\$ 97,425	\$ 319,849
Taxes receivable	6,721	-	345	7,066
Accounts receivable	9,455	-	-	9,455
Due from other units of government	88,254	24,479	8,619	121,352
Due from other funds	16,280	10	37,675	53,965
Inventory	4,130	-	-	4,130
TOTAL ASSETS	\$ 255,899	\$ 115,854	\$ 144,064	\$ 515,817
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 901	\$ -	\$ 12,612	\$ 13,513
Due to other funds	4,901	42,995	-	47,896
Payroll deductions payable	3,102	-	-	3,102
Accrued wages payable	8,106	-	-	8,106
Deferred revenue	2,750	-	-	2,750
Customers deposits payable	-	-	200	200
TOTAL LIABILITIES	19,760	42,995	12,812	75,567
FUND EQUITY				
Reserved for				
Debt service	-	-	296	296
Capital outlay	-	-	47,888	47,888
Streets and highways	-	72,859	7	72,866
Unrestricted	236,139	-	83,061	319,200
TOTAL FUND BALANCES	236,139	72,859	131,252	440,250
TOTAL LIABILITIES AND FUND BALANCES	\$ 255,899	\$ 115,854	\$ 144,064	\$ 515,817

See accompanying notes to basic financial statements.

City of East Jordan

Charlevoix County, Michigan

Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

For the year ended June 30, 2006

Total fund balances - total governmental funds	\$	440,250
--	----	---------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital assets at cost	7,004,655
------------------------	-----------

Accumulated depreciation	(2,853,787)
--------------------------	-------------

Net capital assets	4,150,868
--------------------	-----------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Balances at June 30, 2006 were:

Bonds payable	(721,309)
---------------	-----------

Employee benefits payable	(95,438)
---------------------------	----------

Internal service funds are used by management to charge the costs of activities, such as equipment rent, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

293,779

Net assets of governmental activities	\$	4,068,150
---------------------------------------	----	-----------

See accompanying notes to basic financial statements.

City of East Jordan

Charlevoix County, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended June 30, 2006

	General Fund	Major Streets	Nonmajor Funds	Total
REVENUE				
Property taxes	\$ 1,061,241	\$ -	\$ 25,995	\$ 1,087,236
State grants	276,872	184,808	61,440	523,120
Licenses and permits	5,135	-	-	5,135
Fines and forfeitures	535	-	-	535
Charges for services	63,578	-	-	63,578
Interest and rents	26,158	681	3,777	30,616
Other revenue	181,867	7,842	3,350	193,059
TOTAL REVENUE	1,615,386	193,331	94,562	1,903,279
EXPENDITURES				
General government	539,939	-	-	539,939
Public safety	807,227	-	20,000	827,227
Public works	171,625	-	-	171,625
Streets	-	63,881	90,839	154,720
Community and economic development	5,172	-	-	5,172
Recreation and culture	342,554	-	-	342,554
Debt service	-	-	71,389	71,389
Capital outlay	-	-	11,052	11,052
TOTAL EXPENDITURES	1,866,517	63,881	193,280	2,123,678
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(251,131)	129,450	(98,718)	(220,399)
OTHER FINANCING SOURCES (USES)				
Transfers in	22,840	22,700	107,821	153,361
Transfers out	(23,700)	(56,690)	(12,000)	(92,390)
Bond or note issuance	266,895	-	-	266,895
TOTAL OTHER FINANCING SOURCES (USES)	266,035	(33,990)	95,821	327,866
NET CHANGE IN FUND BALANCES	14,904	95,460	(2,897)	107,467
FUND BALANCES, BEGINNING OF YEAR	221,235	(22,601)	134,149	332,783
FUND BALANCES, END OF YEAR	\$ 236,139	\$ 72,859	\$ 131,252	\$ 440,250

See accompanying notes to basic financial statements.

City of East Jordan

Charlevoix County, Michigan

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended June 30, 2006

Net change in fund balances - total governmental funds	\$	107,467
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay added to capital assets.		331,567
Loss on disposal of capital assets		(1,802)
Issuance of debt		(214,446)
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		46,800
Some expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Depreciation		(279,281)
Employee benefits		(11,504)
Internal service fund		(3,144)
Change in net assets of government activities	\$	(24,343)

See accompanying notes to basic financial statements.

City of East Jordan

Charlevoix County, Michigan

Proprietary Funds

Statement of Net Assets

For the year ended June 30, 2006

	Sewer Fund	Water Fund	Ambulance Fund	Marina Fund
ASSETS				
Current assets				
Cash	\$ 549,548	\$ 359,196	\$ -	\$ 130,114
Accounts receivable	92,407	142,227	168,516	-
Due from other funds	9,320	-	-	-
Inventory	-	-	-	10,394
Total current assets	651,275	501,423	168,516	140,508
Noncurrent assets				
Capital assets	-	-	-	-
Land	21,626	36,322	-	289,285
Buildings	-	-	-	-
Improvements other than buildings	3,685,938	2,884,636	-	1,394,067
Machinery and equipment	9,677	-	329,442	19,510
Less accumulated depreciation	(1,530,235)	(694,464)	(261,799)	(554,168)
Total Noncurrent assets	2,187,006	2,226,494	67,643	1,148,694
TOTAL ASSETS	\$ 2,838,281	\$ 2,727,917	\$ 236,159	\$ 1,289,202
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current liabilities				
Accounts payable	\$ -	\$ -	\$ 487	\$ -
Due to other funds	1,763	8,852	56	147
Payroll deductions payable	-	-	3,943	-
Customers deposits payable	-	1,285	-	-
Accrued wages payable	1,991	3,573	-	1,317
Deferred revenue	-	-	-	21,324
Total current liabilities	3,754	13,710	4,486	22,788
Noncurrent liabilities				
Bonds payable	320,000	1,591,218	-	-
Installment purchase agreement	-	-	56,580	-
Notes payable	-	-	-	216,807
Total noncurrent liabilities	320,000	1,591,218	56,580	216,807
TOTAL LIABILITIES	323,754	1,604,928	61,066	239,595
NET ASSETS				
Invested in capital assets - net of related debt	1,867,006	635,276	11,063	931,887
Unrestricted	647,521	487,713	164,030	117,720
TOTAL NET ASSETS	2,514,527	1,122,989	175,093	1,049,607
TOTAL LIABILITIES AND NET ASSETS	\$ 2,838,281	\$ 2,727,917	\$ 236,159	\$ 1,289,202

See accompanying notes to basic financial statements.

Solid Waste		
Transfer Fund	Tourist Park	Total
\$ 29,126	\$ 70,810	\$ 1,138,794
-	-	403,150
-	-	9,320
-	-	10,394
29,126	70,810	1,561,658
-	-	-
-	7,769	355,002
-	128,660	128,660
54,537	103,759	8,122,937
-	11,712	370,341
(9,817)	(235,436)	(3,285,919)
44,720	16,464	5,691,021
\$ 73,846	\$ 87,274	\$ 7,252,679
\$ -	\$ -	\$ 487
16,280	326	27,424
-	1,632	5,575
-	500	1,785
183	-	7,064
-	21,915	43,239
16,463	24,373	85,574
-	-	1,911,218
-	-	56,580
-	-	216,807
-	-	2,184,605
16,463	24,373	2,270,179
44,720	16,464	3,506,416
12,663	46,437	1,476,084
57,383	62,901	4,982,500
\$ 73,846	\$ 87,274	\$ 7,252,679

See accompanying notes to basic financial statements.

City of East Jordan

Charlevoix County, Michigan

Proprietary Funds

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended June 30, 2006

	Sewer Fund	Water Fund	Ambulance Fund	Marina Fund
OPERATING REVENUE				
Services rendered	\$ 329,583	\$ 523,088	\$ 373,889	\$ 982
Fees	10,031	15,317	-	-
Sales	-	-	-	80,498
Rent	-	-	-	63,211
TOTAL OPERATING REVENUE	339,614	538,405	373,889	144,691
OPERATING EXPENSES				
Personal services	92,161	97,170	241,700	60,985
Contractual services	26,962	44,357	14,271	6,454
Utilities	22,307	20,292	9,686	13,270
Repairs and maintenance	16,471	25,014	9,162	10,717
Supplies and other	8,298	9,411	34,833	116,683
Rent	31,328	40,142	504	1,373
Depreciation	70,825	55,766	44,011	33,270
Capital outlay	2,969	-	4,624	3,272
TOTAL OPERATING EXPENSES	271,321	292,152	358,791	246,024
OPERATING INCOME (LOSS)	68,293	246,253	15,098	(101,333)
NONOPERATING REVENUE (EXPENSES)				
Interest and dividends	15,596	7,944	18	4,064
Reimbursements	-	-	44	-
Other	2,981	2,936	671	3,567
Interest expense	(9,133)	(41,630)	(2,680)	-
Gain on sale of depreciable assets	-	-	-	532
Loss on disposal of capital assets	-	(7,733)	-	-
TOTAL NONOPERATING REVENUES (EXPENSE)	9,444	(38,483)	(1,947)	8,163
Income (loss) before contributions and transfers	77,737	207,770	13,151	(93,170)
Capital contributions	-	-	-	25,767
Other state grants	-	9,075	-	76
Transfers out	(8,000)	(37,898)	(15,000)	-
CHANGE IN NET ASSETS	69,737	178,947	(1,849)	(67,327)
NET ASSETS, BEGINNING OF YEAR	2,444,790	944,042	176,942	1,116,934
NET ASSETS, END OF YEAR	\$ 2,514,527	\$ 1,122,989	\$ 175,093	\$ 1,049,607

See accompanying notes to basic financial statements.

Solid Waste		
Transfer Fund	Tourist Park	Total
\$ -	\$ -	\$ 1,227,542
47,708	101,574	174,630
815	2,957	84,270
-	-	63,211
48,523	104,531	1,549,653
10,333	51,970	554,319
20,543	2,728	115,315
791	25,619	91,965
5,335	3,434	70,133
265	8,924	178,414
2,657	1,518	77,522
1,091	2,382	207,345
-	2,292	13,157
41,015	98,867	1,308,170
7,508	5,664	241,483
711	1,513	29,846
-	-	44
112	1,029	11,296
-	-	(53,443)
-	-	532
-	-	(7,733)
823	2,542	(19,458)
8,331	8,206	222,025
-	-	25,767
-	-	9,151
-	(11,433)	(72,331)
8,331	(3,227)	184,612
49,052	66,128	4,797,888
\$ 57,383	\$ 62,901	\$ 4,982,500

See accompanying notes to basic financial statements.

City of East Jordan

Charlevoix County, Michigan

Proprietary Funds

Statement of Cash Flows

For the year ended June 30, 2006

	Sewer Fund	Water Fund	Ambulance Fund	Marina Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from customers	\$ 329,774	\$ 532,536	\$ 351,091	\$ 138,767
Payments to suppliers	(137,442)	(167,717)	(140,867)	(169,783)
Payments to employees	(64,954)	(69,164)	(178,548)	(49,348)
Internal activity - payments to other funds	-	-	(15,000)	-
Due from other funds	-	4,784	-	-
Customer deposits	-	246	-	-
Net cash provided (used) by operating activities	127,378	300,685	16,676	(80,364)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Operating subsidies and transfers to other funds	(8,000)	(37,898)	-	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Proceeds from capital debt	-	-	36,031	216,807
Capital contributions	-	9,075	(36,031)	25,843
Purchase of capital assets	-	-	-	(289,137)
Principal and interest paid on capital debt	(9,133)	(134,630)	(46,449)	-
Other receipts (payments)	2,981	2,936	715	4,099
Net cash provided (used) by capital and related financing activities	(6,152)	(122,619)	(45,734)	(42,388)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest and dividends	15,596	7,944	18	4,064
Net cash provided by investing activities	15,596	7,944	18	4,064
Net increase (decrease) in cash and cash equivalents	128,822	148,112	(29,040)	(118,688)
Balances - beginning of year	420,726	211,084	29,040	248,802
Balances - end of year	\$ 549,548	\$ 359,196	\$ -	\$ 130,114

See accompanying notes to basic financial statements.

Solid Waste		
Transfer Fund	Tourist Park	Total
\$ 48,523	\$ 100,939	\$ 1,501,630
(31,069)	(53,585)	(700,463)
(9,077)	(46,951)	(418,042)
-	-	(15,000)
-	-	4,784
-	-	246
8,377	403	373,155
-	(11,433)	(57,331)
-	-	252,838
-	-	(1,113)
-	-	(289,137)
-	-	(190,212)
112	1,029	11,872
112	1,029	(215,752)
711	1,513	29,846
711	1,513	29,846
9,200	(8,488)	129,918
19,926	79,298	1,008,876
\$ 29,126	\$ 70,810	\$ 1,138,794

See accompanying notes to basic financial statements.

City of East Jordan

Charlevoix County, Michigan

Proprietary Funds

Statement of Cash Flows

For the year ended June 30, 2006

	Sewer Fund	Water Fund	Ambulance Fund	Marina Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 68,293	\$ 246,253	\$ 15,098	\$ (101,333)
Adjustments to reconcile operating income to net cash				
Provided (used) by operating activities				
Depreciation expense	70,825	55,766	44,011	33,270
Change in net assets and liabilities				
Receivables - net	(9,839)	(5,869)	(22,798)	-
Inventories	-	-	-	(2,169)
Accounts and other payables	(1,901)	(495)	(4,635)	(4,208)
Customer deposits	-	246	-	-
Payment of amounts due to other funds	-	4,784	(15,000)	-
Deferred revenue	-	-	-	(5,924)
Net cash provided by operating activities	\$ 127,378	\$ 300,685	\$ 16,676	\$ (80,364)

See accompanying notes to basic financial statements.

Solid Waste			
Transfer Fund	Tourist Park		Total
\$ 7,508	\$ 5,664	\$	241,483
1,091	2,382		207,345
-	-		(38,506)
-	-		(2,169)
(222)	(4,051)		(15,512)
-	-		246
-	-		(10,216)
-	(3,592)		(9,516)
\$ 8,377	\$ 403	\$	373,155

See accompanying notes to basic financial statements.

City of East Jordan

Charlevoix County, Michigan

Fiduciary Funds

Statement of Net Assets

For the year ended June 30, 2006

Agency Fund Type		
<u>ASSETS</u>		
Cash	\$	175,032
<u>LIABILITIES</u>		
Undistributed collections	\$	175,032

See accompanying notes to basic financial statements.

NOTES TO FINANCIAL STATEMENTS

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of City of East Jordan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by City of East Jordan:

A. Reporting Entity

City of East Jordan is governed by an elected seven-member Commission. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Discretely Presented Component Units

The City of East Jordan Downtown Development Authority accounts for property tax and bond proceeds that are earmarked for improvements in a downtown area of the City and repayment of DDA issued bonds. The component unit column in the combined financial statements include the financial data of the City's Downtown Development Authority. This unit is reported in a separate column to emphasize that it is legally separate from the City. The members of the governing Board of the Downtown Development Authority are appointed by the City Commission. The budgets and expenditures of the Downtown Development Authority must be approved by the City Commission. The City also has the ability to significantly influence operations of the Downtown Development Authority. Complete financial statements of the Downtown Development Authority can be obtained at the City of East Jordan, 201 Main Street, East Jordan, Michigan, 49727.

The City has no blended component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City of East Jordan's property tax is levied on each July 1 on the taxable valuation of property (as defined by State statutes) located in City of East Jordan as of the preceding December 31st.

The 2005 taxable valuation of City of East Jordan totaled \$67,573,760 and the IFT taxable valuation totaled \$1,536,800 on which ad valorem taxes levied consisted of the following:

	<u>Mills levied</u>	<u>Raising</u>
Operating	17.7953 \$	1,202,495
Operating IFT	8.8976	13,674
Fire debt	0.4448	30,057
Fire debt IFT	0.2224	342

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Fund accounts for Act 51 money received from the State of Michigan for the maintenance and construction of streets in the City.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution system.

The Tourist Park Fund accounts for the activities of the City owned campground.

The Marina Fund accounts for the activities of the City owned marina.

The Transfer Station Fund accounts for the activities of the City owned solid waste collection facility.

The Ambulance Fund accounts for the activities of the City owned paramedic service.

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

Additionally, the government reports the following fund types:

Internal service funds account for major machinery and equipment purchases and maintenance provided to other departments of the government on a cost reimbursement basis.

Trust and agency funds to account for various deposits.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's business-type functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include:

- (1) charges to customers or applicants for goods, services or privileges provided;
- (2) operating grants and contributions; and
- (3) capital grants and contributions, including special assessments.

Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. Tap fees intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables--In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied July 1 and are payable through July 31. All property taxes not paid by July 31 are deemed delinquent.

Inventories and Prepaid Items--Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets--Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Roads	10 to 30 years
Other infrastructure	10 to 30 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave)--It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Unused vacation and sick leave are paid to employees upon termination under limits that vary by employee group.

All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

Long-Term Obligations--In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data and Reclassifications--Comparative total data for the prior year have been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

NOTE 2-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The City normally follows these procedures in establishing the budgetary data reflected in the financial statements:

On or before May 1, the City Administrator submits to the City Commission, a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted at the City Hall to obtain taxpayer comments.

On or before July 1, the budget is adopted by ordinance.

The transfer of budgeted amounts between departments within any fund or any revisions that alter the total expenditures of any fund must be approved by the City Commission.

Budgeted amounts are presented as originally adopted, or as amended by the City Commission before June 30. Individual amendments were not material in relation to the original appropriations which were amended.

Budgets as presented for the general and debt service funds are prepared on the modified accrual basis of accounting on the activity level. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.

Budgetary amounts reported herein are as originally adopted, or as amended by the City Commission throughout the operating year.

The City legally adopts budgets for the General Fund, Special Revenue, Debt Service and Capital Project funds.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the City Commission.

The legal level of control is at the activity level of the General Fund, and at the fund expenditure totals for the Special Revenue, Debt Service and Capital Project funds.

The City Treasurer is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the City Commission.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

During the year, the City of East Jordan incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

	Budget appropriation	Actual Expenditure
Assessor	\$ 30,000	\$ 31,540
Cemetery	50,387	58,258
Police	487,080	500,212
Fire department	96,515	306,155
Plan review fee	-	860
Airport	13,713	20,629
Sidewalks	7,434	10,582
Street lighting	36,000	36,652

Note 3 - DEPOSITS AND INVESTMENTS

State statutes and the City's investment policy authorize the City to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the City is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The City's deposits are in accordance with statutory authority.

As of June 30, 2006, the City had the following deposits.

Huntington National Bank	\$	511,042
Charlevoix State Bank		1,186,078
Total	\$	1,697,120

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk. The City places no limit on the amount the City may invest in any one issuer. More than five percent of the City's deposits are in the Charlevoix State Bank and Huntington National Bank. These investments are 30.11% and 69.89%, respectively, of the City's total deposits.

At year end, the City's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business Type Funds	Fiduciary Funds	Total Primary Government
Cash and investments	\$ 353,367	\$ 1,138,794	\$ 175,032	\$ 1,667,193

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

NOTE 4 - RECEIVABLES

Receivables as of year-end for the City's individual major and nonmajor funds including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Major Streets Fund	Local Streets Fund	Fire Equipment Fund	Sewer Fund	Water Fund	Ambulance Fund	Total
Taxes receivable	\$ 6,721	\$ -	\$ -	\$ 345	\$ -	\$ -	\$ -	\$ 7,066
Accounts	9,455	-	-	-	92,407	142,227	168,516	412,605
Intergovernmental	88,254	24,479	8,619	-	-	-	-	121,352
Net Receivables	\$ 104,430	\$ 24,479	\$ 8,619	\$ 345	\$ 92,407	\$ 142,227	\$ 168,516	\$ 541,023

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Customer deposits	\$ -	\$ 45,989

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Balance July 1, 2005	Additions	Disposals	Balance June 30, 2006
Assets not being depreciated				
Land	\$ 91,450	\$	\$	\$ 91,450
Capital assets being depreciated:				
Buildings	647,876			647,876
Land improvements	131,945			131,945
Machinery and equipment	1,457,930	331,567	26,672	1,762,825
Infrastructure	4,370,560			4,370,560
Subtotal	6,699,761	331,567	26,672	7,004,656
Accumulated depreciation:				
Buildings	235,031	17,048		252,079
Land improvements	28,366	10,774		39,140
Machinery and equipment	412,932	76,637	24,870	464,699
Infrastructure	1,923,046	174,822		2,097,868
Subtotal	2,599,375	279,281	24,870	2,853,786
Net capital assets	\$ 4,100,386	\$ 52,286	\$ 1,802	\$ 4,150,870

Equipment Internal Service Fund	Balance July 1, 2005	Additions	Disposals	Balance June 30, 2006
Capital assets being depreciated:				
Buildings and improvements	\$ 284,743	\$	\$	\$ 284,743
Equipment	962,093	9,850	800	971,143
Subtotal	1,246,836	9,850	800	1,255,886
Accumulated depreciation:				
Buildings and improvements	93,348	10,148		103,496
Equipment	757,283	68,257	800	824,740
Subtotal	850,631	78,405	800	928,236
Net capital assets	\$ 396,205	\$ (68,555)	\$	\$ 327,650

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

	Balance July 1, 2005	Additions	Disposals	Balance June 30, 2006
Business-Type Activities				
Assets not being depreciated				
Land	\$ 65,717	\$ 289,285	\$	\$ 355,002
Capital assets being depreciated:				
Sewer lagoons	2,144,991			2,144,991
Buildings	185,806		2,609	183,197
Mains	4,439,845		14,262	4,425,583
Land improvements	1,497,826			1,497,826
Machinery and equipment	335,157	36,031	847	370,341
Subtotal	8,669,342	325,316	17,718	8,976,940
Accumulated depreciation:				
Sewer lagoons	569,130	42,900		612,030
Buildings	135,685	4,553	2,609	137,629
Mains	1,526,751	82,769	6,528	1,602,992
Land improvements	601,713	31,559		633,272
Machinery and equipment	255,278	45,564	846	299,996
Subtotal	3,088,557	207,345	9,983	3,285,919
Net capital assets	\$ 5,580,785	\$ 117,971	\$ 7,735	\$ 5,691,021

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 6,046
Public safety	59,896
Public works	174,822
Recreation and culture	38,517
Total governmental activities	\$ 279,281
Business-Type activities:	
Sewer Fund	\$ 70,825
Water Fund	55,766
Tourist Park Fund	2,382
Marina Fund	33,270
Solid Waste Transfer Station Fund	1,091
Ambulance Fund	44,011
Total Business-Type activities	\$ 207,345

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Receivable Fund	Payable Fund	Amount
General Fund	Transfer Station	\$ 16,280
Major Streets Fund	General Fund	10
Local Streets Fund	Water Fund	4,000
Rehabilitation Fund	Major Streets Fund	33,675
Sewer Fund	Major Streets Fund	9,320
Water Fund	TIFA Fund	1,200
Equipment Fund	General Fund	4,891
Equipment Fund	Tourist Park Fund	326
Equipment Fund	Sewer Fund	1,763
Equipment Fund	Water Fund	3,652
Equipment Fund	Harbor Marina	147
Equipment Fund	Ambulance Fund	56
Equipment Fund	TIFA Fund	41
Total	\$	75,361

Interfund Transfers

Transfers In	Transfers Out									Total
	General Fund	Major Streets Fund	Ambulance Fund	Rehab I & II Fund	Police Trust Fund	Sewer Fund	Water Fund	Tourist Park Fund	TIFA Fund	
General Fund	\$ -	\$ -	\$ 15,000	\$ -	\$ 7,840	\$ -	\$ -	\$ -	\$ -	\$ 22,840
Major Streets	22,700	-	-	-	-	-	-	-	-	22,700
Local Streets	-	-	-	-	-	-	4,000	-	-	4,000
1999 MI										
Transportation Debt	-	32,375	-	-	-	-	-	-	-	32,375
2001 MI										
Transportation Debt	-	24,315	-	-	-	-	-	-	-	24,315
Rehab I & II Fund	1,000	-	-	-	-	-	10,000	11,433	10,000	32,433
2002 Capital										
Improvement	-	-	-	-	-	-	14,698	-	-	14,698
Equipment Fund	-	-	-	12,000	-	8,000	8,000	-	-	28,000
Total	\$ 23,700	\$ 56,690	\$ 15,000	\$ 12,000	\$ 7,840	\$ 8,000	\$ 36,698	\$ 11,433	\$ 10,000	\$ 181,361

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

NOTE 7 - LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Contractual agreements and installment purchase agreements are also general obligations of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Total interest expense incurred for the City for the year was \$79,831.

Bond and contractual obligation activity can be summarized as follows:

	Interest rate	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Governmental Activities						
General obligation bonds						
\$345,000 Michigan	4.9000 to					
Transportation Bonds	5.3500 %	\$ 235,000	\$	\$ 20,000	\$ 215,000	\$ 25,000
\$245,000 Michigan	3.4000 to					
Transportation Bonds	5.0500 %	210,000		15,000	195,000	15,000
\$125,000 Capital	4.9000 to					
Improvement Bonds	5.3500 %	105,000		10,000	95,000	10,000
Installment purchase						
agreements						
\$1,396 Police Vests	3.5000 %	938		461	477	477
\$4,059 Police Pistols	3.5000 %	2,725		1,339	1,386	1,386
\$128,530 Sewer Vacuum	5.5300 %	81,000		26,000	55,000	27,000
\$26,282 Hydraulic Lift	3.5000 %	17,648		8,672	8,976	8,976
\$39,715 Dump Truck	3.5000 %	26,669		13,105	13,564	13,564
\$214,446 Fire Truck	4.4000 %		214,446		214,446	18,910
Compensated absences		83,934	11,504		95,438	
Totals		\$ 762,914	\$ 225,950	\$ 94,577	\$ 894,287	\$ 120,313

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

	Interest rate	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Business-Type Activities						
General obligation bonds						
\$730,000 Sewer Bonds	7.0700 %	\$ 70,000	\$	\$ 70,000	\$	\$
\$320,000 Sewer Capital Improvement Bonds	2.0000 to 3.5500 %	320,000			320,000	45,000
\$834,218 Water Bonds	2.5000 %	659,218		38,000	621,218	38,000
\$1,290,000 Water Bonds	2.5000 %	1,025,000		55,000	970,000	60,000
Installment purchase agreements						
\$92,640 Ambulance	4.5000 %	24,000		24,000		
\$77,641 Ambulance	3.9000 %	40,319		19,769	20,550	20,550
\$36,031 Cots	4.3800 %		36,031		36,031	8,321
\$216,807 Launch ramp			216,807		216,807	8,677
Totals		\$ 2,138,537	\$ 252,838	\$ 206,769	\$ 2,184,606	\$ 180,548

	Interest rate	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Component Unit Activities						
General obligation bonds						
\$915,000 1997 Series A	5.1000 %	\$ 630,000	\$	\$ 50,000	\$ 580,000	\$ 50,000
\$785,000 1998 Series A	4.6250 %	560,000		45,000	515,000	50,000
\$210,000 2003 Series A	4.6500 %	210,000			210,000	
\$75,000 2003 Series B	5.0000 %	60,000		15,000	45,000	20,000
\$90,000 Bike Path Bonds	4.5000 %	90,000		5,000	85,000	5,000
Installment purchase agreements						
\$85,000 Street Lighting Contract	5.1500 %	13,770		13,770		
Totals		\$ 1,563,770	\$	\$ 128,770	\$ 1,435,000	\$ 125,000

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

Annual debt service requirements to maturity for the above obligations are as follows:

June 30,	Governmental Activities		Business Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 120,313	\$ 29,840	\$ 180,548	\$ 68,017	\$ 125,000	\$ 69,126
2008	90,718	31,786	161,241	61,712	140,000	62,926
2009	63,277	27,452	162,408	56,880	140,000	56,108
2010	68,861	24,595	169,157	53,063	145,000	49,380
2011	69,471	21,448	165,437	48,371	150,000	42,416
2012	80,108	18,243	166,927	43,241	155,000	35,156
2013	80,773	14,593	178,000	37,336	165,000	27,662
2014	81,467	10,615	129,163	31,752	170,000	19,708
2015	42,191	6,642	130,421	27,643	175,000	11,476
2016	42,948	4,635	142,002	23,165	20,000	3,255
2017	18,737	2,584	144,260	18,573	25,000	2,325
2018	19,562	1,759	145,859	13,851	25,000	1,162
2019	20,423	899	152,590	8,993		
2020			154,465	3,868		
2021			2,128	14		
Totals	\$ 798,849	\$ 195,091	\$ 2,184,606	\$ 496,479	\$ 1,435,000	\$ 380,700

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

NOTE 8 - SEGMENT INFORMATION

Summary financial information for the business funds is presented below:

Condensed Statement of Net Assets

	Sewer Fund	Water Fund	Ambulance Fund	Harbor Marina Fund	Solid Waste Transfer Station Fund	Tourist Park Fund
Assets						
Current assets	\$ 641,955	\$ 501,423	\$ 168,516	\$ 140,508	\$ 29,126	\$ 70,810
Due from other funds	9,320	-	-	-	-	-
Capital assets	2,187,006	2,226,494	67,643	1,148,694	44,720	16,464
Total Assets	2,838,281	2,727,917	236,159	1,289,202	73,846	87,274
Liabilities						
Current liabilities	1,991	4,858	4,430	22,641	183	24,047
Due to other funds	1,763	8,852	56	147	16,280	326
Noncurrent liabilities	320,000	1,591,218	56,580	216,807	-	-
Total Liabilities	323,754	1,604,928	61,066	239,595	16,463	24,373
Net Assets						
Invested in capital assets	1,867,006	635,276	11,063	931,887	44,720	16,464
Unrestricted	647,521	487,713	164,030	117,720	12,663	46,437
Total Net Assets	\$ 2,514,527	\$ 1,122,989	\$ 175,093	\$ 1,049,607	\$ 57,383	\$ 62,901

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

Condensed Statement of Revenue, Expenses, and Changes in Net Assets

	Sewer Fund	Water Fund	Ambulance Fund	Harbor Marina Fund	Solid Waste Transfer Fund	Tourist Park Fund
Charges	\$ 339,614	\$ 538,405	\$ 373,889	\$ 144,691	\$ 48,523	\$ 104,531
Depreciation	70,825	55,766	44,011	33,270	1,091	2,382
Other operating expenses	200,496	236,386	314,780	212,754	39,924	96,485
Operating income	68,293	246,253	15,098	(101,333)	7,508	5,664
Nonoperating revenue (expense)						
Investment earnings	15,596	7,944	18	4,064	711	1,513
Interest expense	(9,133)	(41,630)	(2,680)	-	-	-
Miscellaneous	2,981	12,011	715	3,643	112	1,029
Gain (loss) on disposal of capital assets	-	(7,733)	-	532	-	-
Transfer out	(8,000)	(37,898)	(15,000)	-	-	(11,433)
Capital contributions	-	-	-	25,767	-	-
Total nonoperating revenue and expenses	1,444	(67,306)	(16,947)	34,006	823	(8,891)
Changes in net assets	69,737	178,947	(1,849)	(67,327)	8,331	(3,227)
Beginning net assets	2,444,790	944,042	176,942	1,116,934	49,052	66,128
Ending net assets	\$ 2,514,527	\$ 1,122,989	\$ 175,093	\$ 1,049,607	\$ 57,383	\$ 62,901

Condensed Statement of Cash Flows

	Sewer Fund	Water Fund	Ambulance Fund	Harbor Marina Fund	Solid Waste Transfer Station	Tourist Park Fund
Net cash provided by (used in)						
Operating activities	\$ 127,378	\$ 300,685	\$ 16,676	\$ (80,364)	\$ 8,377	\$ 403
Noncapital financing activities	(8,000)	(37,898)	-	-	-	(11,433)
Capital and related financing activities	(6,152)	(122,619)	(45,734)	(42,388)	112	1,029
Investing activities	15,596	7,944	18	4,064	711	1,513
Net increase (decrease) in cash	128,822	148,112	(29,040)	(118,688)	9,200	(8,488)
Beginning cash and cash equivalents	420,726	211,084	29,040	248,802	19,926	79,298
Ending cash and cash equivalents	\$ 549,548	\$ 359,196	\$ -	\$ 130,114	\$ 29,126	\$ 70,810

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan ~

Plan Description--The City of East Jordan participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers some employees of the City of East Jordan. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy--The obligation to contribute to and maintain the system for these employees was established by negotiation with the City of East Jordan's competitive bargaining units and requires a contribution from the employees of 2 percent of gross wages from Public Works employees, 3 percent from Department Heads and General employees and 6 percent of gross wages from Police employees.

Annual Pension Costs --For year ended June 30, 2005, the City of East Jordan's annual pension cost of \$99,673 for the plan exceeded the required contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal cost method. Significant actuarial assumptions used include: (i) an 8 percent investment rate of return; (ii) projected salary increases of 4.50 to 8.66 percent per year; and (iii) 4.50 percent per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, 2005 follows:

	2003	2004	2005
Annual pension cost	\$ 94,145	\$ 99,672	\$ 99,673
Percentage of APC Contributed	77.10 %	100.00 %	100.00 %
Actuarial value of assets	\$ 2,198,620	\$ 2,336,763	\$ 2,483,887
Actuarial accrued liability	\$ 2,540,041	\$ 2,758,820	\$ 2,849,441
Unfunded AAL	\$ 341,421	\$ 422,057	\$ 365,554
Funded ratio	87 %	85 %	87 %
Covered payroll	\$ 764,109	\$ 827,890	\$ 864,114
UAAL as a percentage of covered payroll	45 %	51 %	42 %

City of East Jordan

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

NOTE 10 - RISK MANAGEMENT

The City of East Jordan is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City of East Jordan has participated in the Michigan Municipal Risk Management Authority for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City of East Jordan.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the City itself.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS

The City has no post-retirement benefit plans at this time other than its pension plan.

REQUIRED SUPPLEMENTAL INFORMATION

MAJOR GOVERNMENTAL FUNDS

City of East Jordan

Charlevoix County, Michigan

General Fund

Balance Sheet

For the year ended June 30, 2006

	2006	2005
ASSETS		
Cash	\$ 131,059	\$ 132,882
Taxes receivable	6,721	6,830
Accounts receivable	9,455	8,446
Due from other funds	16,280	16,280
Due from other units of government	88,254	88,176
Inventory	4,130	4,130
TOTAL ASSETS	\$ 255,899	\$ 256,744
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	\$ 901	\$ 110
Accrued wages payable	8,106	29,462
Payroll deductions payable	3,102	-
Due to other funds	4,901	4,037
Deferred revenue	2,750	1,900
TOTAL LIABILITIES	19,760	35,509
FUND EQUITY		
Fund balance	236,139	221,235
TOTAL LIABILITIES AND FUND BALANCES	\$ 255,899	\$ 256,744

City of East Jordan

Charlevoix County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended June 30, 2006

	Original budget	Final budget	Actual	Variance with final budget	2005
REVENUES					
Property Taxes					
Current real property taxes	\$ 1,048,420	\$ 1,031,509	\$ 1,031,509	\$ -	\$ 996,780
Delinquent personal property taxes	-	1,654	1,654	-	-
Penalties and interest on taxes	10,200	10,200	9,788	(412)	8,662
Property tax administration fee	16,000	16,000	16,388	388	16,545
Payment in lieu of taxes	1,650	1,650	1,581	(69)	1,656
Trailer tax	384	384	321	(63)	411
Total Property Taxes	1,076,654	1,061,397	1,061,241	(156)	1,024,054
State Grants					
State revenue sharing	245,000	245,000	274,107	29,107	276,818
Other state grants	116,500	116,500	2,765	(113,735)	2,350
Total State Grants	361,500	361,500	276,872	(84,628)	279,168
Licenses and Permits					
Business licenses and permits	4,000	4,000	5,135	1,135	4,140
Fines and Forfeitures					
Fines and forfeitures	300	300	535	235	590
Charges for Services					
Fees	4,790	4,790	7,547	2,757	4,010
Services rendered	57,264	57,264	56,031	(1,233)	58,940
Total Charges for Services	62,054	62,054	63,578	1,524	62,950
Interest and Rentals					
Interest and dividends	4,000	15,000	20,946	5,946	7,312
Rent	5,162	5,162	5,212	50	2,375
Total Interest and Rentals	9,162	20,162	26,158	5,996	9,687
Other Revenue					
Contributions and donations	213,700	213,700	162,035	(51,665)	9,445
Refunds	8,000	8,000	5,775	(2,225)	7,144
Special assessments	-	2,283	2,283	-	1,632
Sale of fixed assets	-	100	100	-	103
Reimbursements	150	150	8,488	8,338	14,375
Other	6,900	6,900	3,186	(3,714)	9,430
Total Other Revenue	228,750	231,133	181,867	(49,266)	42,129
TOTAL REVENUES	1,742,420	1,740,546	1,615,386	(125,160)	1,422,718

City of East Jordan

Charlevoix County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended June 30, 2006

	Original budget	Final budget	Actual	Variance with final budget	2005
EXPENDITURES					
General government					
City Commission	\$ 33,070	\$ 33,070	\$ 32,348	\$ 722	\$ 31,525
Administrator	76,053	76,053	73,900	2,153	71,413
Clerk	108,168	103,168	100,803	2,365	97,217
Board of review	1,195	1,195	833	362	1,019
Attorney	31,523	31,523	28,102	3,421	40,187
Treasurer	117,013	110,139	105,192	4,947	104,877
Assessor	30,000	30,000	31,540	(1,540)	27,208
Elections	7,700	7,700	1,487	6,213	2,859
Data processing	20,820	20,820	17,460	3,360	18,796
Building and grounds	104,384	102,384	90,016	12,368	112,242
Cemetery	48,387	50,387	58,258	(7,871)	43,366
Total General government	578,313	566,439	539,939	26,500	550,709
Public safety					
Police	482,080	487,080	500,212	(13,132)	416,264
Fire department	96,515	96,515	306,155	(209,640)	98,149
Plan review fee	-	-	860	(860)	-
Total Public safety	578,595	583,595	807,227	(223,632)	514,413
Public works					
Department of public works	380,880	395,380	103,762	291,618	40,951
Airport	13,713	13,713	20,629	(6,916)	15,616
Sidewalks	7,434	7,434	10,582	(3,148)	11,026
Street lighting	36,000	36,000	36,652	(652)	35,850
Total Public works	438,027	452,527	171,625	280,902	103,443
Community and economic development					
Redevelopment and housing	250	250	-	250	5
Zoning	10,471	10,471	5,172	5,299	10,850
Total Community and economic development	10,721	10,721	5,172	5,549	10,855
Recreation and culture					
Parks and recreation	498,518	498,518	307,729	190,789	97,408
Elm Pointe	22,042	22,042	21,549	493	18,029
Civic Center	15,001	15,001	13,276	1,725	15,463
Total Recreation and culture	535,561	535,561	342,554	193,007	130,900

City of East Jordan

Charlevoix County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended June 30, 2006

	Original budget	Final budget	Actual	Variance with final budget	2005
TOTAL EXPENDITURES	\$ 2,141,217	\$ 2,148,843	\$ 1,866,517	\$ 282,326	\$ 1,310,320
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(398,797)	(408,297)	(251,131)	157,166	112,398
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	17,000	17,000	22,840	5,840	22,287
Bond or note issuance	433,000	433,000	266,895	(166,105)	-
Transfers out	-	(22,700)	(23,700)	(1,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	450,000	427,300	266,035	(161,265)	22,287
NET CHANGE IN FUND BALANCES	51,203	19,003	14,904	(4,099)	134,685
Fund balance at beginning of year	221,235	221,235	221,235	-	86,550
Fund balance at end of year	\$ 272,438	\$ 240,238	\$ 236,139	\$ (4,099)	\$ 221,235

City of East Jordan
Charlevoix County, Michigan
Major Street Fund
Balance Sheet
June 30, 2006

	2006	2005
<u>ASSETS</u>		
Cash	\$ 91,365	\$ -
Due from other funds	10	-
Due from other units of government	24,479	22,931
TOTAL ASSETS	\$ 115,854	\$ 22,931
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Due to other funds	\$ 42,995	\$ 44,124
Payroll deductions payable	-	1,408
TOTAL LIABILITIES	42,995	45,532
<u>FUND EQUITY</u>		
Fund balance	72,859	(22,601)
TOTAL LIABILITIES AND FUND BALANCES	\$ 115,854	\$ 22,931

City of East Jordan
Charlevoix County, Michigan
Major Street Fund
Budgetary Comparison Schedule

For the year ended June 30, 2006 with comparative actual amounts for 2005

	Original budget	Original and final budget	Actual	Variance with final budget	2005
<u>REVENUE</u>					
Michigan transportation fund	\$ 140,000	\$ 140,000	\$ 148,251	\$ 8,251	\$ 141,772
Winter maintenance	8,000	8,000	17,813	9,813	15,208
Other state grants	8,500	9,607	18,744	9,137	-
Interest and dividends	100	100	681	581	-
Other	50	7,891	7,842	(49)	1,471
TOTAL REVENUE	156,650	165,598	193,331	27,733	158,451
<u>EXPENDITURES</u>					
Street construction	10,672	10,672	662	10,010	2,563
Street preservation	94,208	102,049	22,573	79,476	49,503
Traffic services	5,188	5,188	819	4,369	1,468
Winter maintenance	20,880	20,880	24,472	(3,592)	68,487
Administrative, engineering and record keeping	3,000	3,000	2,513	487	3,887
Miscellaneous	22,504	23,611	12,842	10,769	10,994
TOTAL EXPENDITURES	156,452	165,400	63,881	101,519	136,902
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>					
	198	198	129,450	129,252	21,549
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	22,700	22,700	-	-
Transfers out	-	-	(56,690)	(56,690)	(58,180)
NET CHANGE IN FUND BALANCES	198	22,898	95,460	72,562	(36,631)
Fund balance beginning of year	(22,601)	(22,601)	(22,601)	-	14,030
Fund balance end of year	\$ (22,403)	\$ 297	\$ 72,859	\$ 72,562	\$ (22,601)

MAJOR BUSINESS-TYPE FUNDS

City of East Jordan

Charlevoix County, Michigan

Sewer Fund

Balance Sheet

June 30, 2006

	2006	2005
ASSETS		
Current assets		
Cash	\$ 549,548	\$ 420,726
Accounts receivable	92,407	82,567
Due from other funds	9,320	9,320
Total Current assets	651,275	512,613
Noncurrent assets		
Capital assets		
Land	21,626	21,626
Improvements other than buildings	3,685,938	3,686,008
Machinery and equipment	9,677	9,677
Less accumulated depreciation	(1,530,235)	(1,459,479)
Total Capital assets	2,187,006	2,257,832
TOTAL ASSETS	\$ 2,838,281	\$ 2,770,445
LIABILITIES		
Current liabilities		
Due to other funds	\$ 1,763	\$ 2,817
Accrued wages payable	1,991	2,838
Total Current liabilities	3,754	5,655
Noncurrent liabilities		
Bonds payable	320,000	320,000
TOTAL LIABILITIES	323,754	325,655
NET ASSETS		
Invested in capital assets, net of related debt	1,867,006	1,937,832
Unrestricted	647,521	506,958
TOTAL NET ASSETS	2,514,527	2,444,790
TOTAL LIABILITIES AND NET ASSETS	\$ 2,838,281	\$ 2,770,445

City of East Jordan

Charlevoix County, Michigan

Sewer Fund

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended June 30, 2006 with comparative actual amounts for 2005

	2006	2005
<u>OPERATING REVENUE</u>		
Services rendered	\$ 329,583	\$ 314,541
Fees	10,031	13,281
TOTAL OPERATING REVENUE	339,614	327,822
<u>OPERATING EXPENSES</u>		
Salaries and wages	64,108	67,779
Payroll taxes	4,969	5,198
Hospitalization insurance	16,917	20,467
Retirement contribution	4,786	5,807
Workers compensation insurance	1,381	1,200
Supplies	3,499	4,039
Contractual services	24,969	6,965
Education	-	235
Insurance	1,993	1,859
Utilities	22,307	22,013
Repairs and maintenance	16,471	15,369
Rent	31,328	40,277
Depreciation	70,825	68,669
Capital outlay	2,969	6,138
Fees	566	1,050
Other	4,233	4,289
TOTAL OPERATING EXPENSES	271,321	271,354
OPERATING INCOME	68,293	56,468
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest and dividends	15,596	7,253
Other	2,981	4,756
Interest expense	(9,133)	(15,433)
TOTAL NONOPERATING REVENUES (EXPENSES)	9,444	(3,424)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	77,737	53,044
Transfers out	(8,000)	(8,000)
CHANGE IN NET ASSETS	69,737	45,044
NET ASSETS - BEGINNING OF YEAR	2,444,790	2,399,746
NET ASSETS - END OF YEAR	\$ 2,514,527	\$ 2,444,790

City of East Jordan

Charlevoix County, Michigan

Sewer Fund

Statement of Cash Flows

For the year ended June 30, 2006

	2006	2005
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 329,774	\$ 327,649
Payments to suppliers	(137,442)	(133,494)
Payments to employees	(64,954)	(67,948)
Net cash provided (used) by operating activities	127,378	126,207
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Operating subsidies and transfers to other funds	(8,000)	(8,000)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Principal and interest paid on capital debt	(9,133)	(155,433)
Other receipts (payments)	2,981	4,756
Net cash provided (used) by capital and related financing activities	(6,152)	(150,677)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and dividends	15,596	7,253
Net cash provided by investing activities	15,596	7,253
Net increase (decrease) in cash and cash equivalents	128,822	(25,217)
Balances - beginning of year	420,726	445,943
Balances - end of year	\$ 549,548	\$ 420,726
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>		
Operating income (loss)	\$ 68,293	\$ 56,468
Adjustments to reconcile Operating income to net cash		
Provided (used) by operating activities		
Depreciation	70,825	68,669
Change in net assets and liabilities		
Receivables - net	(9,839)	(173)
Accounts and other payables	(1,901)	1,243
Net cash provided by operating activities	\$ 127,378	\$ 126,207

City of East Jordan

Charlevoix County, Michigan

Water Fund

Balance Sheet

June 30, 2006

	2006	2005
ASSETS		
Current assets		
Cash	\$ 359,196	\$ 211,084
Accounts receivable	142,227	136,358
Total Current assets	501,423	347,442
Noncurrent assets		
Capital assets		
Land	36,322	36,322
Improvements other than buildings	2,884,636	2,898,828
Less accumulated depreciation	(694,464)	(645,157)
Total Capital assets	2,226,494	2,289,993
TOTAL ASSETS	\$ 2,727,917	\$ 2,637,435
LIABILITIES		
Current liabilities		
Due to other funds	\$ 8,852	\$ 4,068
Customers deposits payable	1,285	1,039
Accrued wages payable	3,573	4,068
Total Current liabilities	13,710	9,175
Noncurrent liabilities		
Bonds payable	1,591,218	1,684,218
TOTAL LIABILITIES	1,604,928	1,693,393
NET ASSETS		
Invested in capital assets, net of related debt	635,276	605,775
Unrestricted	487,713	338,267
TOTAL NET ASSETS	1,122,989	944,042
TOTAL LIABILITIES AND NET ASSETS	\$ 2,727,917	\$ 2,637,435

City of East Jordan

Charlevoix County, Michigan

Water Fund

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended June 30, 2006 with comparative actual amounts for 2005

	2006	2005
<u>OPERATING REVENUE</u>		
Fees	\$ 15,317	\$ 13,284
Services rendered	523,088	494,698
TOTAL OPERATING REVENUE	538,405	507,982
<u>OPERATING EXPENSES</u>		
Salaries and wages	68,669	64,088
Payroll taxes	5,291	4,761
Hospitalization insurance	16,689	18,967
Retirement contribution	4,865	5,271
Workers compensation insurance	1,659	1,563
Supplies	7,280	3,420
Contractual services	40,879	7,938
Insurance	3,478	3,222
Utilities	20,292	20,610
Repairs and maintenance	25,014	10,131
Rent	40,142	34,110
Depreciation	55,766	57,826
Capital outlay	-	430
Fees	1,486	1,462
Other	642	626
TOTAL OPERATING EXPENSES	292,152	234,425
OPERATING INCOME	246,253	273,557
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest and dividends	7,944	2,091
Other	2,936	5,321
Interest expense	(41,630)	(43,918)
Loss on disposal of capital assets	(7,733)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(38,483)	(36,506)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	207,770	237,051
Other state grants	9,075	-
Transfers out	(37,898)	(32,828)
CHANGE IN NET ASSETS	178,947	204,223
NET ASSETS - BEGINNING OF YEAR	944,042	739,819
NET ASSETS - END OF YEAR	\$ 1,122,989	\$ 944,042

City of East Jordan

Charlevoix County, Michigan

Water Fund

Statement of Cash Flows

For the year ended June 30, 2006

	2006	2005
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 532,536	\$ 492,585
Payments to suppliers	(167,717)	(109,462)
Payments to employees	(69,164)	(62,238)
Customer deposits	246	131
Due from other funds	4,784	-
Net cash provided (used) by operating activities	300,685	321,016
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Operating subsidies and transfers to other funds	(37,898)	(32,828)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Capital contributions	9,075	-
Principal and interest paid on capital debt	(134,630)	(133,918)
Other receipts (payments)	2,936	5,321
Net cash provided (used) by capital and related financing activities	(122,619)	(128,597)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and dividends	7,944	2,091
Net cash provided by investing activities	7,944	2,091
Net increase (decrease) in cash and cash equivalents	148,112	161,682
Balances - beginning of year	211,084	49,402
Balances - end of year	\$ 359,196	\$ 211,084
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>		
Operating income (loss)	\$ 246,253	\$ 273,557
Adjustments to reconcile Operating income to net cash		
Provided (used) by operating activities		
Depreciation	55,766	57,826
Change in net assets and liabilities		
Receivables - net	(5,869)	(15,397)
Accounts and other payables	(495)	4,899
Payment of amounts due to other funds	4,784	-
Customer deposits	246	131
Net cash provided by operating activities	\$ 300,685	\$ 321,016

City of East Jordan

Charlevoix County, Michigan

Ambulance Fund

Balance Sheet

June 30, 2006

	2006	2005
ASSETS		
Current assets		
Cash	\$ -	\$ 29,040
Accounts receivable	168,516	145,718
Total Current assets	168,516	174,758
Capital assets		
Machinery and equipment	329,442	293,411
Less accumulated depreciation	(261,799)	(217,788)
Total Capital assets	67,643	75,623
TOTAL ASSETS	\$ 236,159	\$ 250,381
LIABILITIES		
Current liabilities		
Accounts payable	\$ 487	\$ -
Due to other funds	56	26
Payroll deductions payable	3,943	9,094
Total Current liabilities	4,486	9,120
Noncurrent liabilities		
Installment purchase agreement	56,580	64,319
TOTAL LIABILITIES	61,066	73,439
NET ASSETS		
Invested in capital assets, net of related debt	11,063	11,304
Unrestricted	164,030	165,638
TOTAL NET ASSETS	175,093	176,942
TOTAL LIABILITIES AND NET ASSETS	\$ 236,159	\$ 250,381

City of East Jordan

Charlevoix County, Michigan

Ambulance Fund

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended June 30, 2006 with comparative actual amounts for 2005

	2006	2005
<u>OPERATING REVENUE</u>		
Services rendered	\$ 373,889	\$ 341,204
TOTAL OPERATING REVENUE	373,889	341,204
<u>OPERATING EXPENSES</u>		
Salaries and wages	173,397	134,085
Payroll taxes	13,659	10,097
Hospitalization insurance	41,927	19,361
Retirement contribution	8,585	6,688
Workers compensation insurance	4,132	4,129
Supplies	27,009	25,829
Contractual services	8,910	6,355
Education	5,982	5,610
Insurance	5,361	4,338
Utilities	9,686	12,063
Repairs and maintenance	9,162	7,504
Rent	504	269
Depreciation	44,011	41,940
Capital outlay	4,624	17,089
Fees	597	900
Other	1,245	2,589
TOTAL OPERATING EXPENSES	358,791	298,846
OPERATING INCOME	15,098	42,358
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest and dividends	18	282
Contributions and donations	-	6,086
Reimbursements	44	24
Other	671	131
Interest expense	(2,680)	(4,474)
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,947)	2,049
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	13,151	44,407
Transfers out	(15,000)	(15,000)
CHANGE IN NET ASSETS	(1,849)	29,407
NET ASSETS - BEGINNING OF YEAR	176,942	147,535
NET ASSETS - END OF YEAR	\$ 175,093	\$ 176,942

City of East Jordan

Charlevoix County, Michigan

Ambulance Fund

Statement of Cash Flows

For the year ended June 30, 2006

	2006	2005
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 351,091	\$ 305,023
Payments to suppliers	(140,867)	(120,690)
Payments to employees	(178,548)	(134,085)
Internal activity - payments to other funds	(15,000)	(15,000)
Net cash provided (used) by operating activities	16,676	35,248
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Proceeds from capital debt	36,031	-
Capital contributions	(36,031)	-
Purchase of capital assets	-	(5,387)
Principal and interest paid on capital debt	(46,449)	(46,486)
Other receipts (payments)	715	6,241
Net cash provided (used) by capital and related financing activities	(45,734)	(45,632)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and dividends	18	282
Net cash provided by investing activities	18	282
Net increase (decrease) in cash and cash equivalents	(29,040)	(10,102)
Balances - beginning of year	29,040	39,142
Balances - end of year	\$ -	\$ 29,040
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>		
Operating income (loss)	\$ 15,098	\$ 42,358
Provided (used) by operating activities		
Depreciation	44,011	41,940
Receivables - net	(22,798)	(36,181)
Accounts and other payables	(4,635)	2,131
Payment of amounts due to other funds	(15,000)	(15,000)
Net cash provided by operating activities	\$ 16,676	\$ 35,248

City of East Jordan

Charlevoix County, Michigan

Harbor Marina Fund

Balance Sheet

June 30, 2006

	2006	2005
ASSETS		
Current assets		
Cash	\$ 130,114	\$ 248,802
Inventory	10,394	8,225
Total Current assets	140,508	257,027
Noncurrent assets		
Capital assets		
Land	289,285	-
Improvements other than buildings	1,394,067	1,394,067
Machinery and equipment	19,510	20,358
Less accumulated depreciation	(554,168)	(521,745)
Total Capital assets	1,148,694	892,680
TOTAL ASSETS	\$ 1,289,202	\$ 1,149,707
LIABILITIES		
Current liabilities		
Accrued wages payable	\$ 1,317	\$ 5,525
Due to other funds	147	-
Deferred revenue	21,324	27,248
Total Current liabilities	22,788	32,773
Noncurrent liabilities		
Notes payable	216,807	-
TOTAL LIABILITIES	239,595	32,773
NET ASSETS		
Invested in capital assets, net of related debt	931,887	892,680
Unrestricted	117,720	224,254
TOTAL NET ASSETS	1,049,607	1,116,934
TOTAL LIABILITIES AND NET ASSETS	\$ 1,289,202	\$ 1,149,707

City of East Jordan

Charlevoix County, Michigan

Harbor Marina Fund

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended June 30, 2006 with comparative actual amounts for 2005

	2006	2005
<u>OPERATING REVENUE</u>		
Services rendered	\$ 982	\$ 936
Sales	80,498	51,893
Rent	63,211	69,364
TOTAL OPERATING REVENUE	144,691	122,193
<u>OPERATING EXPENSES</u>		
Salaries and wages	45,140	35,985
Payroll taxes	3,775	2,761
Hospitalization insurance	8,457	6,441
Retirement contribution	2,126	1,964
Workers compensation insurance	1,487	996
Supplies	82,544	45,942
Contractual services	3,386	1,844
Education	1,370	2,696
Insurance	3,068	2,856
Utilities	13,270	12,809
Repairs and maintenance	10,717	9,148
Rent	1,373	397
Depreciation	33,270	30,420
Capital outlay	3,272	276
Fees	2,389	1,589
Other	30,380	3,861
TOTAL OPERATING EXPENSES	246,024	159,985
OPERATING INCOME	(101,333)	(37,792)
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest and dividends	4,064	3,456
Gain on sale of depreciable assets	532	-
Other	3,567	692
TOTAL NONOPERATING REVENUES (EXPENSES)	8,163	4,148
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(93,170)	(33,644)
Capital contributions	25,767	-
State grant	76	-
CHANGE IN NET ASSETS	(67,327)	(33,644)
NET ASSETS - BEGINNING OF YEAR	1,116,934	1,150,578
NET ASSETS - END OF YEAR	\$ 1,049,607	\$ 1,116,934

City of East Jordan

Charlevoix County, Michigan

Harbor Marina Fund

Statement of Cash Flows

For the year ended June 30, 2006

	2006	2005
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 138,767	\$ 124,532
Payments to suppliers	(169,783)	(93,728)
Payments to employees	(49,348)	(35,985)
Net cash provided (used) by operating activities	(80,364)	(5,181)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Proceeds from capital debt	216,807	-
Capital contributions	25,843	-
Purchase of capital assets	(289,137)	(2,250)
Other receipts (payments)	4,099	692
Net cash provided (used) by capital and related financing activities	(42,388)	(1,558)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and dividends	4,064	3,456
Net cash provided by investing activities	4,064	3,456
Net increase (decrease) in cash and cash equivalents	(118,688)	(3,283)
Balances - beginning of year	248,802	252,085
Balances - end of year	\$ 130,114	\$ 248,802
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>		
Operating income (loss)	\$ (101,333)	\$ (37,792)
Provided (used) by operating activities		
Depreciation	33,270	30,420
Inventories	(2,169)	(41)
Accounts and other payables	(4,208)	(107)
Recognition of deferred revenue	(5,924)	2,339
Net cash provided by operating activities	\$ (80,364)	\$ (5,181)

City of East Jordan

Charlevoix County, Michigan

Solid Waste Transfer Station Fund

Balance Sheet

June 30, 2006

	2006	2005
ASSETS		
Current assets		
Cash	\$ 29,126	\$ 19,926
Total Current assets	29,126	19,926
Capital assets		
Improvements other than buildings	54,537	54,537
Less accumulated depreciation	(9,817)	(8,726)
Total Capital assets	44,720	45,811
TOTAL ASSETS	\$ 73,846	\$ 65,737
LIABILITIES		
Current liabilities		
Due to other funds	\$ 16,280	\$ 16,284
Accrued wages payable	183	401
Total Current liabilities	16,463	16,685
NET ASSETS		
Invested in capital assets, net of related debt	44,720	45,811
Unrestricted	12,663	3,241
TOTAL NET ASSETS	57,383	49,052
TOTAL LIABILITIES AND NET ASSETS	\$ 73,846	\$ 65,737

City of East Jordan

Charlevoix County, Michigan

Solid Waste Transfer Station Fund

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended June 30, 2006 with comparative actual amounts for 2005

	2006	2005
<u>OPERATING REVENUE</u>		
Fees	\$ 47,708	\$ 46,314
Sales	815	680
TOTAL OPERATING REVENUE	48,523	46,994
<u>OPERATING EXPENSES</u>		
Salaries and wages	8,859	8,373
Payroll taxes	695	641
Hospitalization insurance	310	347
Retirement contribution	109	104
Workers compensation insurance	360	496
Supplies	265	297
Contractual services	20,543	19,402
Utilities	791	842
Repairs and maintenance	5,335	1,331
Rent	2,657	2,640
Depreciation	1,091	1,091
TOTAL OPERATING EXPENSES	41,015	35,564
OPERATING INCOME	7,508	11,430
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest and dividends	711	197
Other	112	2,075
TOTAL NONOPERATING REVENUES (EXPENSES)	823	2,272
CHANGE IN NET ASSETS	8,331	13,702
NET ASSETS - BEGINNING OF YEAR	49,052	35,350
NET ASSETS - END OF YEAR	\$ 57,383	\$ 49,052

City of East Jordan

Charlevoix County, Michigan

Solid Waste Transfer Station Fund

Statement of Cash Flows

For the year ended June 30, 2006

	2006	2005
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 48,523	\$ 46,994
Payments to suppliers	(31,069)	(26,269)
Payments to employees	(9,077)	(8,376)
Net cash provided (used) by operating activities	8,377	12,349
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Other receipts (payments)	112	2,075
Net cash provided (used) by capital and related financing activities	112	2,075
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and dividends	711	197
Net cash provided by investing activities	711	197
Net increase (decrease) in cash and cash equivalents	9,200	14,621
Balances - beginning of year	19,926	5,305
Balances - end of year	\$ 29,126	\$ 19,926
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>		
Operating income (loss)	\$ 7,508	\$ 11,430
Provided (used) by operating activities		
Depreciation	1,091	1,091
Accounts and other payables	(222)	(172)
Net cash provided by operating activities	\$ 8,377	\$ 12,349

City of East Jordan

Charlevoix County, Michigan

Tourist Park Fund

Balance Sheet

June 30, 2006

	2006	2005
ASSETS		
Current assets		
Cash	\$ 70,810	\$ 79,298
Total Current assets	70,810	79,298
Noncurrent assets		
Capital assets		
Land	7,769	7,769
Improvements other than buildings	103,759	103,759
Machinery and equipment	11,712	11,712
Buildings	128,660	131,270
Less accumulated depreciation	(235,436)	(235,663)
Total Capital assets	16,464	18,847
TOTAL ASSETS	\$ 87,274	\$ 98,145
LIABILITIES		
Current liabilities		
Due to other funds	\$ 326	\$ 680
Payroll deductions payable	1,632	5,330
Deferred revenue	21,915	25,507
Customers deposits payable	500	500
Total Current liabilities	24,373	32,017
NET ASSETS		
Invested in capital assets, net of related debt	16,464	18,847
Unrestricted	46,437	47,281
TOTAL NET ASSETS	62,901	66,128
TOTAL LIABILITIES AND NET ASSETS	\$ 87,274	\$ 98,145

City of East Jordan

Charlevoix County, Michigan

Tourist Park Fund

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended June 30, 2006 with comparative actual amounts for 2005

	2006	2005
<u>OPERATING REVENUE</u>		
Fees	\$ 101,574	\$ 104,481
Sales	2,957	1,791
TOTAL OPERATING REVENUE	104,531	106,272
<u>OPERATING EXPENSES</u>		
Salaries and wages	43,253	41,864
Payroll taxes	3,592	3,188
Hospitalization insurance	3,780	4,314
Retirement contribution	1,116	1,228
Workers compensation insurance	229	225
Supplies	6,366	4,702
Contractual services	2,074	1,646
Education	539	557
Insurance	654	529
Utilities	25,619	24,431
Repairs and maintenance	3,434	2,006
Rent	1,518	1,925
Depreciation	2,382	4,718
Capital outlay	2,292	4,198
Other	2,019	1,902
TOTAL OPERATING EXPENSES	98,867	97,433
OPERATING INCOME	5,664	8,839
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest and dividends	1,513	805
Other	1,029	730
Contributions and donations	-	3,000
TOTAL NONOPERATING REVENUES (EXPENSES)	2,542	4,535
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	8,206	13,374
Transfers out	(11,433)	-
CHANGE IN NET ASSETS	(3,227)	13,374
NET ASSETS - BEGINNING OF YEAR	66,128	52,754
NET ASSETS - END OF YEAR	\$ 62,901	\$ 66,128

City of East Jordan

Charlevoix County, Michigan

Tourist Park Fund

Statement of Cash Flows

For the year ended June 30, 2006

	2006	2005
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 100,939	\$ 105,256
Payments to suppliers	(53,585)	(50,560)
Payments to employees	(46,951)	(41,674)
Customer deposits	-	200
Net cash provided (used) by operating activities	403	13,222
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Operating subsidies and transfers to other funds	(11,433)	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchase of capital assets	-	(750)
Other receipts (payments)	1,029	3,730
Net cash provided (used) by capital and related financing activities	1,029	2,980
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and dividends	1,513	805
Net cash provided by investing activities	1,513	805
Net increase (decrease) in cash and cash equivalents	(8,488)	17,007
Balances - beginning of year	79,298	62,291
Balances - end of year	\$ 70,810	\$ 79,298
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>		
Operating income (loss)	\$ 5,664	\$ 8,839
Depreciation	2,382	4,718
Accounts and other payables	(4,051)	481
Recognition of deferred revenue	(3,592)	(1,016)
Customer deposits	-	200
Net cash provided by operating activities	\$ 403	\$ 13,222

OTHER SUPPLEMENTAL INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

City of East Jordan

Charlevoix County, Michigan

Nonmajor Governmental Funds

June 30, 2006

Special Revenue Funds

Local Streets Fund

Fire Equipment Fund

Rehabilitation Fund

Debt Service Funds

2002 Capital Improvement Debt Fund

1999 Michigan Transportation Debt Fund

2001 Michigan Transportation Debt Fund

Capital Project Funds

Bandshell Construction Fund

Industrial Complex Construction Fund

City of East Jordan

Charlevoix County, Michigan
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2006

	Special Revenue Fund		
	Local Streets Fund	Fire Equipment Fund	Rehabilitation Fund
<u>ASSETS</u>			
Cash and cash equivalents	\$ -	\$ 43,757	\$ 49,386
Taxes receivable	-	345	-
Due from other units of government	8,619	-	-
Due from other funds	4,000	-	33,675
TOTAL ASSETS	\$ 12,619	\$ 44,102	\$ 83,061
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES			
Accounts payable	\$ 12,612	\$ -	\$ -
Deposits	-	-	-
TOTAL LIABILITIES	12,612	-	-
FUND EQUITY			
Restricted for			
Debt service	-	-	-
Capital outlay	-	44,102	-
Streets and highways	7	-	-
Unrestricted	-	-	83,061
TOTAL FUND BALANCES	7	44,102	83,061
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,619	\$ 44,102	\$ 83,061

Debt Service Funds			Capital Projects Fund			Total
2002 Capital Improvement	1999 Michigan Transportation	2001 Michigan Transportation	Bandshell Construction	Industrial Complex Construction		
\$ 102	\$ 104	\$ 90	\$ 3,806	\$ 180	\$	97,425
-	-	-	-	-		345
-	-	-	-	-		8,619
-	-	-	-	-		37,675
\$ 102	\$ 104	\$ 90	\$ 3,806	\$ 180	\$	144,064
\$ -	\$ -	\$ -	\$ -	\$ -	\$	12,612
-	-	-	200	-		200
-	-	-	200	-		12,812
102	104	90	-	-		296
-	-	-	3,606	180		47,888
-	-	-	-	-		7
-	-	-	-	-		83,061
102	104	90	3,606	180		131,252
\$ 102	\$ 104	\$ 90	\$ 3,806	\$ 180	\$	144,064

City of East Jordan

Charlevoix County, Michigan

Nonmajor Governmental Funds

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended June 30, 2006

	Special Revenue Fund		
	Local Streets Fund	Fire Equipment Fund	Rehabilitation Fund
<u>REVENUE</u>			
Property taxes			
Current real property taxes	\$ -	\$ 25,817	\$ -
Penalties and interest on taxes	-	178	-
Total Property taxes	-	25,995	-
State grants			
Michigan transportation fund	61,440	-	-
Interest and rentals			
Interest	109	1,848	1,712
Other revenue			
Other	233	-	-
Payments in lieu of taxes	-	17	-
Contributions and donations	-	-	-
Total Other revenue	233	17	-
TOTAL REVENUE	61,782	27,860	1,712
<u>EXPENDITURES</u>			
Current			
Public Safety	-	20,000	-
Streets	90,839	-	-
Debt Service	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	90,839	20,000	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(29,057)	7,860	1,712
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	4,000	-	32,433
Transfer out	-	-	(12,000)
TOTAL OTHER FINANCING SOURCES (USES)	4,000	-	20,433
NET CHANGE IN FUND BALANCES	(25,057)	7,860	22,145
FUND BALANCES, BEGINNING OF YEAR	25,064	36,242	60,916
FUND BALANCES, END OF YEAR	\$ 7	\$ 44,102	\$ 83,061

Debt Service Funds			Capital Projects Fund		
2002 Capital Improvement	1999 Michigan Transportation	2001 Michigan Transportation	Bandshell Construction	Industrial Complex Construction	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,817
-	-	-	-	-	178
-	-	-	-	-	25,995
-	-	-	-	-	61,440
-	-	-	106	2	3,777
-	-	-	-	-	233
-	-	-	-	-	17
-	-	-	3,100	-	3,100
-	-	-	3,100	-	3,350
-	-	-	3,206	2	94,562
-	-	-	-	-	20,000
-	-	-	-	-	90,839
14,698	32,375	24,316	-	-	71,389
-	-	-	11,052	-	11,052
14,698	32,375	24,316	11,052	-	193,280
(14,698)	(32,375)	(24,316)	(7,846)	2	(98,718)
14,698	32,375	24,315	-	-	107,821
-	-	-	-	-	(12,000)
14,698	32,375	24,315	-	-	95,821
-	-	(1)	(7,846)	2	(2,897)
102	104	91	11,452	178	134,149
\$ 102	\$ 104	\$ 90	\$ 3,606	\$ 180	\$ 131,252

EQUIPMENT INTERNAL SERVICE FUND

City of East Jordan

Charlevoix County, Michigan

Equipment Fund

Balance Sheet

June 30, 2006

	2006	2005
ASSETS		
Current assets		
Cash	\$ 33,518	\$ 20,330
Due from other funds	10,877	14,025
Total Current assets	44,395	34,355
Noncurrent assets		
Capital assets		
Improvements other than buildings	284,743	284,743
Machinery and equipment	971,143	962,093
Less accumulated depreciation	(928,236)	(850,631)
Total Capital assets	327,650	396,205
TOTAL ASSETS	\$ 372,045	\$ 430,560
LIABILITIES		
Current liabilities		
Payroll deductions payable	\$ 726	\$ 2,020
Noncurrent liabilities		
Installment purchase agreement	77,540	125,317
Advances from other funds	-	6,300
Total Noncurrent liabilities	77,540	131,617
TOTAL LIABILITIES	78,266	133,637
NET ASSETS		
	250,110	270,888
	43,669	26,035
TOTAL NET ASSETS	293,779	296,923
TOTAL LIABILITIES AND NET ASSETS	\$ 372,045	\$ 430,560

City of East Jordan

Charlevoix County, Michigan

Equipment Fund

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended June 30, 2006 with comparative actual amounts for 2005

	2006	2005
<u>OPERATING REVENUE</u>		
Rent	\$ 248,941	\$ 276,785
Services rendered	9,657	6,856
TOTAL OPERATING REVENUE	258,598	283,641
<u>OPERATING EXPENSES</u>		
Salaries and wages	67,337	71,642
Payroll taxes	5,646	5,503
Hospitalization insurance	17,979	21,577
Retirement contribution	4,995	6,288
Workers compensation insurance	2,113	1,886
Unemployment compensation	-	8,942
Supplies	42,954	33,431
Contractual services	1,784	709
Education	29	553
Insurance	14,755	10,568
Utilities	11,145	9,939
Repairs and maintenance	30,940	23,093
Depreciation	78,405	81,109
Capital outlay	3,188	4,150
Fees	148	90
Other	907	1,534
TOTAL OPERATING EXPENSES	282,325	281,014
OPERATING INCOME	(23,727)	2,627
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest and dividends	80	-
Sale of fixed assets	262	2,535
Other	595	1,529
Interest expense	(8,354)	(8,096)
TOTAL NONOPERATING REVENUES (EXPENSES)	(7,417)	(4,032)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(31,144)	(1,405)
Transfers in	28,000	16,000
CHANGE IN NET ASSETS	(3,144)	14,595
NET ASSETS - BEGINNING OF YEAR	296,923	282,328
NET ASSETS - END OF YEAR	\$ 293,779	\$ 296,923

City of East Jordan

Charlevoix County, Michigan

Equipment Fund

Statement of Cash Flows

For the year ended June 30, 2006

	2006	2005
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 261,746	\$ 279,225
Payments to suppliers	(136,583)	(128,263)
Payments to employees	(68,631)	(71,932)
Net cash provided (used) by operating activities	56,532	79,030
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Operating subsidies and transfers to other funds	28,000	16,000
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchase of capital assets	(9,850)	(57,845)
Principal and interest paid on capital debt	(56,131)	(97,323)
Other receipts (payments)	857	4,064
Reduction of advance from other fund	(6,300)	(6,300)
Net cash provided (used) by capital and related financing activities	(71,424)	(157,404)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and dividends	80	-
Net cash provided by investing activities	80	-
Net increase (decrease) in cash and cash equivalents	13,188	(62,374)
Balances - beginning of year	20,330	82,704
Balances - end of year	\$ 33,518	\$ 20,330
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>		
Operating income (loss)	\$ (23,727)	\$ 2,627
Provided (used) by operating activities		
Depreciation	78,405	81,109
Receivables - net	3,148	(4,416)
Accounts and other payables	(1,294)	(290)
Net cash provided by operating activities	\$ 56,532	\$ 79,030

AGENCY FUNDS

City of East Jordan

Charlevoix County, Michigan

Agency Funds

Balance Sheet

June 30, 2006

	Balance		Additions		Deletions		Balance
	July 1, 2005						June 30, 2006
Ambulance							
<u>Assets</u>							
Cash	\$	3,264	\$	84	\$	3,197	\$ 151
<u>Liabilities</u>							
Undistributed collections	\$	3,264	\$	84	\$	3,197	\$ 151
Fire Department							
<u>Assets</u>							
Cash	\$	8,198	\$	3,246	\$	2,374	\$ 9,070
<u>Liabilities</u>							
Undistributed collections	\$	8,198	\$	3,246	\$	2,374	\$ 9,070
Police Department							
<u>Assets</u>							
Cash	\$	5,069	\$	4,425	\$	8,703	\$ 791
<u>Liabilities</u>							
Undistributed collections	\$	5,069	\$	4,425	\$	8,703	\$ 791
Elm Pointe							
<u>Assets</u>							
Cash	\$	21	\$		\$	21	\$
<u>Liabilities</u>							
Undistributed collections	\$	21	\$		\$	21	\$
Cemetery Perpetual Care							
<u>Assets</u>							
Cash	\$	161,691	\$	3,329	\$		\$ 165,020
<u>Liabilities</u>							
Undistributed collections	\$	161,691	\$	3,329	\$		\$ 165,020
Total All Agency Funds							
<u>Assets</u>							
Cash	\$	178,243	\$	11,084	\$	14,295	\$ 175,032
<u>Liabilities</u>							
Undistributed collections	\$	178,243	\$	11,084	\$	14,295	\$ 175,032

LONG-TERM DEBT

City of East Jordan

Charlevoix County, Michigan

Schedule of Debt

\$214,446 Fire Truck Installment Purchase Agreement

June 30, 2006

Year End	Interest Rate	Principal	Interest	Total
2007	4.4000 %	\$ 18,910	\$ 2,111	\$ 21,021
2008	4.4000 %	12,718	8,604	21,322
2009	4.4000 %	13,277	8,044	21,321
2010	4.4000 %	13,861	7,460	21,321
2011	4.4000 %	14,471	6,850	21,321
2012	4.4000 %	15,108	6,213	21,321
2013	4.4000 %	15,773	5,648	21,421
2014	4.4000 %	16,467	4,854	21,321
2015	4.4000 %	17,191	4,130	21,321
2016	4.4000 %	17,948	3,373	21,321
2017	4.4000 %	18,737	2,584	21,321
2018	4.4000 %	19,562	1,759	21,321
2019	4.4000 %	20,423	899	21,322
Totals		\$ 214,446	\$ 62,529	\$ 276,975

City of East Jordan

Charlevoix County, Michigan

Schedule of Bonded Debt

\$345,000 1999 Michigan Transportation Bonds

June 30, 2006

Year End	Interest rate	Principal		Interest		Total
		June 1	December 1	June 1	June 1	
2007	5.000%	\$ 25,000	\$ 5,560	\$ 5,560	\$	36,120
2008	5.000%	25,000	4,935	4,935		34,870
2009	5.050%	25,000	4,310	4,310		33,620
2010	5.150%	25,000	3,678	3,679		32,357
2011	5.200%	25,000	3,035	3,035		31,070
2012	5.250%	30,000	2,385	2,385		34,770
2013	5.300%	30,000	1,598	1,597		33,195
2014	5.350%	30,000	802	803		31,605
Totals		\$ 215,000	\$ 26,303	\$ 26,304	\$	267,607

City of East Jordan

Charlevoix County, Michigan

Schedule of Bonded Debt

\$125,000 2002 General Obligation Capital Improvement Bonds (Limited Tax)

June 30, 2006

Year End	Interest rate	Principal		Interest		Total
			June 1	December 1	June 1	
2007	5.000%	\$	10,000	\$ 2,034	\$ 2,034	\$ 14,068
2008	5.000%		10,000	1,844	1,844	13,688
2009	5.050%		10,000	1,649	1,649	13,298
2010	5.150%		10,000	1,448	1,448	12,896
2011	5.200%		10,000	1,238	1,238	12,476
2012	5.250%		15,000	1,024	1,024	17,048
2013	5.300%		15,000	694	694	16,388
2014	5.350%		15,000	352	352	15,704
Totals		\$	95,000	\$ 10,283	\$ 10,283	\$ 115,566

City of East Jordan

Charlevoix County, Michigan

Schedule of Debt

\$128,530 Installment Purchase Agreement for Sewer Vacuum

June 30, 2006

Year End	Interest Rate	Principal		Interest		Total	
2007	5.5300 %	\$	27,000	\$	3,042	\$	30,042
2008	5.5300 %		28,000		1,548		29,548
Totals		\$	55,000	\$	4,590	\$	59,590

City of East Jordan

Charlevoix County, Michigan

Schedule of Bonded Debt

\$245,000 2001 Michigan Transportation Bonds

June 30, 2006

Year End	Interest rate	Principal		Interest		Total
		June 1	December 1	June 1		
2007	3.800%	\$ 15,000	\$ 4,322	\$ 4,322	\$	23,644
2008	3.900%	15,000	4,038	4,038		23,076
2009	4.050%	15,000	3,745	3,745		22,490
2010	4.150%	20,000	3,441	3,441		26,882
2011	4.200%	20,000	3,026	3,026		26,052
2012	4.250%	20,000	2,606	2,606		25,212
2013	4.550%	20,000	2,181	2,181		24,362
2014	4.700%	20,000	1,726	1,726		23,452
2015	5.000%	25,000	1,256	1,256		27,512
2016	5.050%	25,000	631	631		26,262
Totals		\$ 195,000	\$ 26,972	\$ 26,972	\$	248,944

City of East Jordan

Charlevoix County, Michigan

Schedule of Debt

\$1,396 Purchase Agreement for Bulletproof Vests

June 30, 2006

Year End	Interest Rate	Principal		Interest		Total
2007	3.5000 %	\$	477	\$	17	\$ 494
Totals		\$	477	\$	17	\$ 494

City of East Jordan

Charlevoix County, Michigan

Schedule of Debt

\$4,059 Purchase Agreement for Pistols

June 30, 2006

Year End	Interest Rate	Principal		Interest		Total
2007	3.5000 %	\$	1,386	\$	49	\$ 1,435
Totals		\$	1,386	\$	49	\$ 1,435

City of East Jordan

Charlevoix County, Michigan

Schedule of Debt

\$26,282 Installment Purchase Agreement for Hydraulic Lift

June 30, 2006

Year End	Interest Rate	Principal		Interest		Total
2007	3.5000 %	\$	8,976	\$	314	\$ 9,290
Totals		\$	8,976	\$	314	\$ 9,290

City of East Jordan

Charlevoix County, Michigan

Schedule of Debt

\$39,715 Installment Purchase Agreement for Snow Hauling Truck

June 30, 2006

Year End	Interest Rate	Principal		Interest		Total
2007	3.5000 %	\$	13,564	\$	475	\$ 14,039
Totals		\$	13,564	\$	475	\$ 14,039

City of East Jordan

Charlevoix County, Michigan

Schedule of Debt

\$224,176 Land Contract for Boat Launch

June 30, 2006

Year End	Interest rate	Principal	Interest	Total
2007	8.000%	\$ 8,677	\$ 17,031	\$ 25,708
2008	8.000%	9,397	16,311	25,708
2009	8.000%	10,177	15,531	25,708
2010	8.000%	11,022	14,686	25,708
2011	8.000%	11,937	13,771	25,708
2012	8.000%	12,927	12,781	25,708
2013	8.000%	14,000	11,708	25,708
2014	8.000%	15,163	10,546	25,709
2015	8.000%	16,421	9,287	25,708
2016	8.000%	17,784	7,924	25,708
2017	8.000%	19,260	6,448	25,708
2018	8.000%	20,859	4,850	25,709
2019	8.000%	22,590	3,118	25,708
2020	8.000%	24,465	1,243	25,708
2021	8.000%	2,128	14	2,142
Totals		\$ 216,807	\$ 145,249	\$ 362,056

City of East Jordan

Charlevoix County, Michigan

Schedule of Debt

\$320,000 General Obligation Capital Improvement Bonds (Limited Tax) - Sewer Fund

June 30, 2006

Year End	Interest rate	Principal		Interest		Total
		April 1	October 1	April 1	April 1	
2007	2.000%	\$ 45,000	\$ 4,566	\$ 4,566	\$	54,132
2008	2.300%	45,000	4,166	4,166		53,332
2009	2.650%	45,000	3,559	3,559		52,118
2010	2.800%	45,000	3,003	3,003		51,006
2011	3.150%	45,000	2,350	2,350		49,700
2012	3.350%	45,000	1,641	1,641		48,282
2013	3.550%	50,000	887	887		51,774
Totals		\$ 320,000	\$ 20,172	\$ 20,172	\$	360,344

City of East Jordan

Charlevoix County, Michigan

Schedule of Debt

\$834,218 Michigan Drinking Water Revolving Fund Program Bonds

June 30, 2006

Year End	Interest rate	Principal		Interest		Total
		October 1	April 1	October 1		
2007	2.500%	\$ 38,000	\$ 7,765	\$ 7,290	\$	53,055
2008	2.500%	38,000	7,290	5,815		51,105
2009	2.500%	38,000	5,815	6,340		50,155
2010	2.500%	38,500	6,340	5,859		50,699
2011	2.500%	43,500	5,859	5,915		55,274
2012	2.500%	44,000	5,915	4,763		54,678
2013	2.500%	44,000	4,763	4,215		52,978
2014	2.500%	44,000	4,215	3,865		52,080
2015	2.500%	44,000	3,865	3,115		50,980
2016	2.500%	49,218	3,115	2,500		54,833
2017	2.500%	50,000	2,500	1,875		54,375
2018	2.500%	50,000	1,875	1,250		53,125
2019	2.500%	50,000	1,250	625		51,875
2020	2.500%	50,000	625	-		50,625
Totals		\$ 621,218	\$ 61,192	\$ 53,427	\$	735,837

City of East Jordan

Charlevoix County, Michigan

Schedule of Debt

\$1,290,000 Michigan Drinking Water Revolving Fund Program Bonds

June 30, 2006

Year End	Interest rate	Principal		Interest		Total
		April 1	October 1	April 1		
2007	2.500%	\$ 60,000	\$ 12,125	\$ 12,125	\$	84,250
2008	2.500%	60,000	11,375	11,375		82,750
2009	2.500%	60,000	10,625	10,625		81,250
2010	2.500%	65,000	9,875	9,875		84,750
2011	2.500%	65,000	9,063	9,063		83,126
2012	2.500%	65,000	8,250	8,250		81,500
2013	2.500%	70,000	7,438	7,438		84,876
2014	2.500%	70,000	6,563	6,563		83,126
2015	2.500%	70,000	5,688	5,688		81,376
2016	2.500%	75,000	4,813	4,813		84,626
2017	2.500%	75,000	3,875	3,875		82,750
2018	2.500%	75,000	2,938	2,938		80,876
2019	2.500%	80,000	2,000	2,000		84,000
2020	2.500%	80,000	1,000	1,000		82,000
Totals		\$ 970,000	\$ 95,628	\$ 95,628	\$	1,161,256

City of East Jordan

Charlevoix County, Michigan

Schedule of Debt

\$36,031 Installment Purchase Agreement for Cots

June 30, 2006

Year End	Interest rate	Principal	Interest	Total
2007	4.380%	\$ 8,321	\$ 1,736	\$ 10,057
2008	4.380%	8,844	1,214	10,058
2009	4.380%	9,231	826	10,057
2010	4.380%	9,635	422	10,057
Totals		\$ 36,031	\$ 4,198	\$ 40,229

City of East Jordan

Charlevoix County, Michigan

Schedule of Debt

\$77,640 Installment Purchase Agreement for Ambulance

June 30, 2006

Year End	Interest rate	Principal		Interest		Total
2007	3.900%	\$	20,550	\$	813	\$ 21,363
Totals		\$	20,550	\$	813	\$ 21,363

AUDITORS' REPORTS

COMMUNICATION WITH AUDIT COMMITTEE OR ITS EQUIVALENT

To the Commission
City of East Jordan
Charlevoix County, Michigan

We have audited the general purpose financial statements of the City of East Jordan, Charlevoix County, Michigan for the year ended June 30, 2006, and have issued our report thereon dated December 22, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated November 14, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the City of East Jordan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

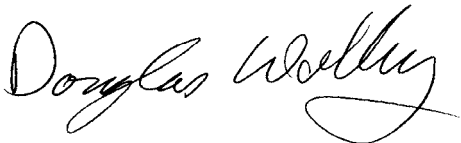
As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of East Jordan's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of East Jordan are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2006. We noted no transactions entered into by the City of East Jordan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the City Commission and management of the City of East Jordan and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg, CPA
Byron Center, Michigan
December 22, 2006

MANAGEMENT COMMENTS LETTER

To the Commission
City of East Jordan
Charlevoix County, Michigan

In planning and performing our audit of the financial statements of the City of East Jordan for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

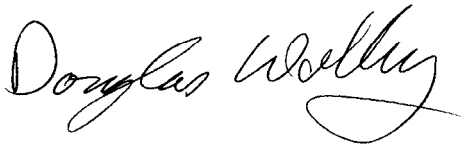
Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the City of East Jordan's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no material weaknesses.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended solely for the information and use of the Commission, management, and others within the administration or the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the June 30, 2006 financial statements, and this report does not affect our report on those financial statements dated December 22, 2006. We have not considered the internal control since the date of our report.



Douglas Wohlberg, CPA
Byron Center, Michigan
December 22, 2006

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Commission
City of East Jordan
Charlevoix County, Michigan

We have audited the general purpose financial statements of the City of East Jordan, Charlevoix County, Michigan as of and for the year ended June 30, 2006, and have issued our report thereon dated December 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

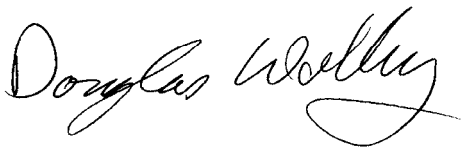
Compliance

As part of obtaining reasonable assurance about whether the City of East Jordan's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of East Jordan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg, CPA
Byron Center, Michigan
December 22, 2006